Yugoslavia. Savezno izvršno veće.

THE FIVE YEAR PLAN OF ECONOMIC DEVELOPMENT OF YUGOSLAVIA

1961—1965

SECRETARIAT FOR INFORMATION
OF THE FEDERAL EXECUTIVE COUNCIL

BEOGRAD
1961.

63411

6P
338.91
Y9f

Printed by the Union of Jurist's Associations of Yugoslaia
Beograd, Proleterskih brigada 74

REPORT BY AVDO HUMO MEMBER OF THE FEDERAL EXECUTIVE COUNCIL *

In its economic-political basis the Draft Five Year Plan of Economic Development of Yugoslavia for 1961—65 which is the subject of consideration today is based on the policies established at the Fifth Congress of the Socialist Alliance of the Working People of Yugoslavia. At that Congress, in Comrade Tito's Report and in the discussion, the result recorded had been appraised and the basic line of our further social and economic development outlined. On the basis of that line of policy work was continued on determining the elements of the Plan, numerous studies, monographs and analyses were made and comprehensive discussions and consultations conducted in order to crystallize the views and help illuminate the problems of our future development.

Naturally, in the course of this work various views manifested themselves and during discussion many of these proved to offer improved solutions for certain problems, while, on the other hand, some of the views were unacceptable on account of being incongruent with the general premises of the conception of development. Similarly there were several major difficulties, due most largely to the as yet underdeveloped economic system and the planning methodology, as a result of which some of the questions could not be examined fully. Those questions were left for verification and more concrete assessment through the yearly plans. It should be particularly emphasized that certain significant methodological problems were in evidence throughout the work of drawing up the Plan, and they could not be

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* The report was delivered at the 17th Joint Meeting of the Federal Council and the Council of Producers of the Federal People's Assembly held on December 26, 1960.

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wholly solved, even though the ways of dealing with them had been assessed. Here it was a matter of methodological questions connected with the development of socialist relations. The level of our production has reached the phase where the pace and degree of increase of both production and socialist democracy is conditioned by the further development of the production relations. Today material production is characterized not merely by its dynamic development but also by the fact that it has become more complex in its relations and more interdependent relative to different factors which must influence its movement collectively.

The degree reached in the development of the productive forces reveals a growing tendency toward more rapid development of the production relationships. Coordination of material production with the system of income distribution both between the community and the economic organizations and inside the economic organizations — where the principle of remuneration according to output will be realized more consistenly on the basis of the criteria established by the working collectives themselves concerning the value of the individual and collective work input — will not only offer better social-economic conditions for a more harmonious relationship between the protagonists of material production and for their more adequate participation in the distribution of the income created, but the only possible course of development of socialist democracy and the way to maintain this production at a high level and render economic activity more efficient. The perfecting of these relationships, which at the same time signify the further development of the production relationships, logically entails the necessity, to improve the planning methodology itself, viz. to set up new elements in the present planning system. However, under our social-economic conditions, any work on an adequate planning methodology also presupposes work on its other and equally important aspect which consists in its being enriched with modern scientific achievements from the sphere of higher mathematics, statistics, econometry, and so on.

Both these aspects are important in developing the new foundations in order to avoid bureaucratic conservatism and technocracy as well as poverty of economic methods, which, at the degree of development today, would handicap the sustained and speedy development of the material productive forces. If we overlooked these matters we would be depriving ourselves of many necessary scientific methods in our approaches for a superior assessment of, and grip on, the interdependent movements in the economy, and will also be neglecting all the laws regulating the movement of our economy at higher levels. Therefore, both the one and the other aspect, i. e. the methodological questions connected with our social-economic system and the questions connected with modern scientific developments, should be dealt with parallely, constituting as they do two sides of the same problem.

The question now arises whether this Plan has been prepared in a conventional way or on the principles of the new methodology. Even though our next task is to further develop and perfect the new methodological principles emanating from a superior social-economic system, this Plan has already been laid down and developed with more scientific elements in methodology and with all the known elements which are foreseen as new in the future economic system, such as the new elements in the income distribution in our economy, the new credit system, the foreign-exchange reform, and so on. For its over-all relations, as well as the basic directions of development, it was not essential to carry all the quantitative relations to their conclusion, because, parallel with the continued development and the improvement of the economic system, which by its very nature can never be absolutely finalized, both the material resources and many stimulative elements in production will also be changing. The fundamental point is that the Plan presupposes all the new elements of the system that in its tasks and directions of development it takes into account these elements precisely as essential presuppositions for its fulfilment. In the matter of material reserves, it provides sufficient possibilities so that those points which could not be dealt with quite conclusively at the time of its preparation, due to the action of the future economic system, may be coordinated during the actual execution of the Plan with a view to the complete carrying out of its tasks and aims. Reckoning with all these elements, as well as with past experience, and also examining and appraising simultaneously all those factors whereby economic development is conditioned, the Perspective Plan covers realistically assessed tasks to be resolved in the coming period.

Besides these considerations, in drawing up the Plan those engaged on the work greatly assisted by the draft of the 20-year development programme of our economy. This has helped to throw more light on many long-term problems in the future perspective and has indicated many priority-tasks, lending a special edge especially to some long-term tasks relevant to different five-year periods, which it had been impossible to assess definitely within the scope of a single five-year period. Even though this basis for a 20-year plan represents only internal documentation for the time being, its further elaboration toward creating a programmed perspective is bound to help the five-year plans to measure their tasks even more realistically.

In providing a general definition of future economic development the point of departure was provided by the achieved level of development of the material productive forces and the socialist social relationship. In his Report to the Fifth Congress of the Socialist Alliance of the Working People of Yugoslavia Comrade Tito spoke exhaustively about those matters, hence I do not propose to reiterate them. However, even though they are familiar, I am bound to summarize at least some of the results achieved in the implementation of past economic policy, not with the idea of specialy emphasizing our successes but because those results have influenced the assessment of individual tasks of this the new Plan.

1. The achieved level of economic development

A general characteristic of our postwar development is represented by the very high rates of economic growth, resulting from an inteligent policy of quickened development, so that inside a 13 year period the level of national income and production has increased by over 2.5 times compared with that from 1939. Here it is particularly worth stressing the last 8-year period (1953—60) which saw the economy entering a more consolidated phase of development and recording large results in every sector. In this period the national income rose at the average annual rate of nearly 11 percent, industrial production at the rate of 13 percent, and agricultural production at the rate of about 7 percent. It is also a familiar fact that the national income and industrial production rates recorded are among the highest to be achieved in various countries during the same period.

Thanks to her rapid production increase, Yugoslavia has succeeded in reaching a per capita national income equal to about 350 dollars, which compares with the 130—140 before the war. This per capita income level shows Yugoslavia to have surpassed that conventional income limit which is the usual hallmark of undeveloped countries and areas. In addition, by reaching this level of development, industry has become the crucial branch in the formation of the gross national product and national income, and this role of industry in our economy has led to big changes in the population structure, the agricultural population having dropped to about 50 percent of the total population, from the 75 percent before the war.

The development of industrial and agricultural production, as well as that of the other economic domains, has been particularly remarkable during the last four years. During the period from 1957 to 1960 the physical volume of industrial production had been rising at the average rate of over 14 percent, and that of agricultural production at the rate of about of 10 percent. This period has been marked by a parallel and synchronized development of industrial and agricultural production and a fuller utilization of the producing potential of the country. As a result, the period has been distinguished by harmonious development of the productive forces and the elimination of unevenness in economic development, especially as regards the lagging-behind of agricultural production and the processing industries. The process of modernization and reconstruction of our economy has been instituted and a broader material-technical basis created for it so that it is now able to satisfy domestic requirements to a fuller extent and provide significant surpluses for export.

The high rates of development that have been realized in all economic domains for some time now, imply that the efforts made by us in earlier years have not been vain and that those rates have become a durable feature of our socialist development, being the result of our socialist relationships and optimum utilization of the available resources.

Quite naturally, the high rates of economic growth could be realized only with intensive investments in the economy. However, at the same time we should emphasize two facts. Firts, these intensive investments have been accompanied by a constant improvement of the effectiveness of the investments, which is revealed by the ratio of the resources invested to the increase of the national product. Whereas about ten dinars had to be invested in the period of 1948-52 to obtain an increase of one dinar, during the period of 1952-56 this increment of the national product was being realized with an investment of about four dinars, and with barely three dinars during the period of 1957-60. Another important fact is that the policy of intensive investment has also been accompanied by a parallel rise of the standard of living of the population, with the result that during the period of 1953-60, despite the high, over 28 percent, participation of gross economic investments in the national product, personal consumption had been growing at the average rate of over 7 percent annually, and the social services at the rate of about 19 percent. This information shows the level reached by our economy to be such as to enable a parallel and constant realization of high increase rates of the standard of living and high rates of investment without those sacrifices and efforts which were indispensable in the first period of postwar reconstruction.

The successes recorded are without a doubt in the first place, due to our economic policy which, by changing the structure of investments and other measures, has sought to create conditions favourable for a speedier and steadier developmet, as well as for efficient economic activity and to ensure an intensive rise of the standard of living parallel with the increase in labour productivity.

However, these successes at the same time come as a result of the new, developed socialist social relationship wherein the independent action of the direct producers is assuming growing importance in dealing with economic questions. The system founded on the steady expansion of the material basis of workers' management and the communal system and on the growing interest and initiative of all participants in production activity has made it possible to utilize the socially owned means of production in a more economical and rational manner. This system has given practical proof of its vitality and it is realistic to expect it to influence economic development even more favourably in the period ahead.

The idea of emphasizing the results of the development marked to date is not to underestimate the significance of all those problems which this development has opened. One might say that the solving of particular tasks is inherent in every phase of development, yet fresh problems are simultaneously opened by the dynamic development which it must solve. In fact, this constant succession of problems reflects the dynamism of development and the specific character of the tasks to be dealt with in each phase of development. However, besides this general characteristic regarding the succession of the problems which has been observed in the development to date, it is pertinent to emphasize some other characteristics as well.

First of all, in the dynamic development of the economy there are some basic branches which it is necessary to promote on the highest level as a long-term proposition. Here, too, it is possible to slow down the pace in a certain period but it is impossible to effect slow-downs such as would lead to a low rate of production increase, even if for a short time. This is particularly true of the production in ferrous metallurgy, in the electric power industry, of the basic building materials, and so on. Besides, we are already entering the period of more complex economic movements where the dependencies and interdependencies are so intertwined, in a more refined and more complex production that it becomes impossible to relegate further one branch of production or one group of consumption at the expense of another. Henceforth there shall be ever-more manifest the need for as steady movements as possible in the relations between the output of the means of production and the articles of consumption, the need for more stable movements of the output of production material and of finished goods. This did not reflect itself as forcefully at a low production level because all magnitudes were small. Our population was prevalently agrarian, the income of employed persons was low, there were undeveloped social services, a small number of enterprises with a narrower diversification in production. And tomorrow this will be more difficult even from the point of view of development of social-economic relations in the economy, where the amount of the producer's income is conditioned by productivity of labour, as well as from the point of view of graver consequences for the economy considering the numerous nature of economic organizations the variety of economic initiatives and activities. The magnitudes we shall have to contend with in the future are of a different extent. There are qualitatively new jumps in the economy between the magnitudes of today and tomorrov. From 1939 to 1960 (the period, true enough, having also seen war and war devastation) it took us twenty years to raise the per capita national income to something over 200 dollars, and today we are in the position to envisage raising the per capita national income by about 250 dollars in the course of the coming five years. In the period ahead, we are to raise steel production just about as much as we did over the last fifteen years, and so on. In such relations there are bound to be problems, too, but it would be absolutely necessary to check all those phenomena which might hamper the promotion of harmonious relations in economic movements. Consequently, on a higher level of economic development, there arises even more acutely the question of the more alert coordination of the production relationships with the development of material production. In this context, it is pertinent to emphasize several signal problems which have been broached by past development and whose urgency demands that we undertake their solution in full measure in the coming years.

The first of these problems belong to the domain of the development and improvement of the economic system. The question of the market position of economic organizations and certain economic domains, and of their economics, too, as a result, has become today one of the key questions of our material production. In this connection, the first requirement for creating favourable conditions for economic activity involves elimination of the many price disparities and a quickening of the process of formation of economically sound prices for certain basic products. On this basis alone can the policy of freeing many prices from the remnants of administrative and non-economic measures lead to a more adequate formation of income in the economy. Of course, this process is going to change the place and method of capital accumulation, which no longer will be most emphatically concentrated in industry, but which will be created in other domains of the economy as well in a far greater measure than heretofore. Parallel to this the process of forming income on fresh elements, not as a result of the modified relations in the price of products, although this change, too, will be having a stimulative effect on higher productivity and in the direction of furthering socialist relationships, but as a result of the qualitative changes in the higher prices of labour power and production machinery and of changed relations between them, which should result in the better utilization both of labour power and the socially owned capital. Thus the income originating from these relations will also provide even stronger encouragement for production. Its distribution may act then as the source of every stimulation for higher productivity, for in the new distribution enterprises will have resources at their free disposal. Un questionably this will quicken both the further development of socialist relationships and the material productive forces of society.

Another problem appears in the sphere of the structural movements of the economy. The intensive investments made over the last four years in the quickened development of agriculture and the manufacturing branches of industry have not afforded us the possibility of promoting in corresponding measure the production of basic raw materials, owing to which today we have a certain disproportion between the basic and the manufacturing capacities of industrial production. Among other things, this disproportion has also hindered the solving of the foreign trade deficit because this lagging-behind had dictated a large increase in the import of raw materials and semi manufactures. The lagging-behind of basic industry is of such a character that it will take a longer period of time to eliminate it, since the investments for the promotion of that production are longer-term more intensive capital investments. Therefore, the disparities between the capacity of the basic and the processing industry are far more difficult to eliminate than those which arose when the output of consumer goods lagged behind. But however difficult the problem, we must seek a rapid solution for this key issue, for the general pace of economic development would inevitably be retarded in case the existing disharmony is not overcome on time.

Still another problem relates to agricultural production. Notwithstanding the unquestioned results which have been achieved in this sphere in recent years, there are a number of open problems both in agriculture itself and in the activities directly related with it; these problems are handicapping successful development already today. In agriculture proper, these are problems originating from its unfavourable economic position, as a result of high production costs, the uncoordinated price ratios and the underdevelopment of large socialist holdings. On the other hand, a shortage of storage, transport and processing facilities, combined with an inadequate trade organization, also constitute factors obstructing an even more intensive development of agricultural production.

We must also record that the technical level of our building construction industry is such as to represent in some measure a bottleneck for our whole economy, the fact being particularly marked in the sector of our capital projects. This lag is a two-pronged one. In the first place, it is a question of inadequate equipment of the building construction industry and the absence of modern and more efficient building methods. An additional weakness is that it relies on an undeveloped and backward production of building materials and elements, which is retarding the quicker introduction of rational building methods. As a result, our building is still costly and slow, the fact influencing appreciably the amount of investment costs and the effectiveness of investment, given the high participation of building work in the investments.

Even though in recent years there has been a perceptible increase in the investment per work place, and in the technical equipment of production but in individual important branches and activities one still meets with a low and undeveloped technical basis and a comparatively slow application of modern production techniques. This accounts for low productivity in such branches, which naturally affects the general productivity rate as well. This low technical equipment appears in many domains of the economy in combination with an adverse skill structure of the labour power, with little production experience, etc.

2. THE DYNAMISM AND STRUCTURE OF FUTURE ECONOMIC DEVELOPMENT

a) Basic Economic Orientation

The appraisal of past development and the comprehensive analyses of the existing possibilities show beyond doubt that in the coming period, too, Yugoslavia may carry on her rapid, intensive tempo of economic and social development the same as before. Of course, in tracing the general line of development the new Five-Year Plan necessarily had to start from the indispensable need to solve the fundamental problems referred to above. At the root of this line is a policy of harmonious, proportioned development of all sectors of the economy and, within this framework, the elimination of the disparities that have been observed in recent years. In this connection, at the Fifth Congress Comrade Tito had pointed out that our future development can no longer be pursued by pushing some sectors and neglecting others, for, at the present level of our economy, this might create an upheaval and handicap economic development, it being necessary instead to ensure more harmonious relations of development between different economic domains and branches in the years ahead.

The present strength of our economy makes possible a structure of investments involving a simultaneous high investment in the economy and the promotion of the standard of living and also to pursue such a balanced distribution of resources within the framework of economic investments that it may ensure the best relations in the development of different economic domains and branches. Therefore the foundation of the new Five-Year Plan incorporates both a policy of intensive development and a policy of promoting all sectors of the economy marked by a simultaneous and constant raising of personal consumption and the social services.

The further intensive economic development shall be possible of achievement only provided that qualitative and structural changes are effected which would bring our economy even nearer to the level and structure characteristic for developed countries. These changes should take place, first of all, in the structure of industrial production, because a higher level of the economy and modern development in general calls for quickened and more intensive expansion of output of the means of production and steady introduction of modern production techniques and technology. This should create an improved production structure and a more advanced material-technical basis for the whole economy. These changes should also be effected in agriculture toward its increased intensification, for on large socialist holdings modern agricultural production still finds itself organized on comparatively small areas and it still covers an inadequate number of products. Consequently in the coming period our efforts will be directed toward surpassing the condition of today so as to be able to achieve a qualitative jump in this respect as well. Changes should also occur in other domains of the economy, especially in connection with their fuller technical reconstruction. In addition, in the new conditions the scope and structure of our market will also undergo a change as regards the abundance and variety of the products and services which will be available so that its stimulative function will also be more fully manifest. In substance, all these changes will spell a fuller integration of our economy which at the same time will have a strong influence on the furthering of socialist social relationships as well.

Starting from the given conditions and the appraisal of the fundamental factors determining the dynamics of development, the new Five Year Plan foresees that the coming period our economy will be developing at an average annual rate of 11.4 percent. Thus the value of production in 1965 should exceed by over 70 percent that from 1960, which should cause the per capita national income to rise from the present 138,000 dinars to about 222,000 dinars. This income level means that in 1965 Yugoslavia should reach a real income of nearly 600 dollars per inhabitant. Unquestionably this will mark a qualitative jump in the development of the Yugoslav economy. This level of income also implies an improved production structure, higher rate composition of capital accumulation, an even stronger role of industry in the economy, as well as similar changes in many other fields, including personal consumption and home market, employment, the population structure, and the labour force. This level of income should also bring about changes in the volume and structure of our foreign trade. As a result, the amount of income appears as the fullest expression of all the qualitative and structural changes to be experienced by our economy.

This rate of economic growth will be mainly determined by the developement of industrial production, which is scheduled to grow at the annual average rate of 13 percent, and also by that of agricultural production, which in its turn should increase at the average rate of over 7 percent. The proportion of industrial production in the total autput should go up from about 44 percent in 1960 to about 47 percent in 1965, while the proportion of agricultural output should decline from 24 percent to under 20 percent. This modification of the production structure is a necessary and logical result of quickened industrial development. Thus, during the 13-year period from 1953 to 1965, there would be an uninterrupted production increase at the rate of over 13 percent in industry, 7 percent in agriculture. while national income would be rising at the rate of nearly 11 percent.

When it comes to the future development of industrial production, then there are several basic complexes that must be kept in the centre of our attention and our production policy whose significance assumes a specially conspicuous place in the coming period. In the first place, this includes the need to quickly raise the output of basic raw materials and semi manufactures, within which scheme a special place belongs to the production of steel and steel products as the basic production material with the highest mass-demand upon the availability of which the attainment of the established development aims in all domains of the economy depends. Considering the foreseen rate of growth of industrial production by 13 percent annually on an average, considering the need for an even more intensive development of the metal manufacturing industry and the electric power industry, considering the growth of building construction at approximately the same rate as in the case of industry, and lastly, considering the very high rate of growth of the whole economy, it is evident that steel production, too, must be developed at an equally high rate. The relative reduction of steel consumption by way of substitutes cannot yet be extensive, and besides there is an objective foreign-trade obstacle to the realization of a large and constant increase of steel imports. Therefore, in the coming period it is necessary to go ahead with the further development of the steel and iron industry in an intensified way. It is indicated by all balance sheets that Yugoslavia ought to be producing at least 2.3 million tons of crude steel in 1965; but notwithstanding this output it will be necessary to import considerable quantities which might present a serious problem. Consequently, in the course of execution of the new Five-Year Plan it should be sought to find, is possible, solutions such as will enable us not only to achieve, but surpass the production increase planned for in the steel and iron industry.

One other important domain is the chemical industry whose production should insure an expansion of the natural raw materials basis and a varied supply of production material for industry and other domains of the economy, as well as enable the introduction of highly-productive technology, improvement of the quality and expansion of the range of products a particular degree of substitution of imported raw materials with domestic ones, and so on. In this field a special and increasing importance will be assumed by the manufacture of organic chemicals including the production of all kinds of plastics including synthetic fibres. The need for quickened development of the chemical industry is all the greater in that Yugoslavia finds herself only at the beginning of the development of this industry and that in all developed countries its advance is far quicker than the growth of overall industrial production.

Achievement of a higher degree of economic development and the need to introduce modern technology in production, as well as the expansion of our exports, will make an exceptionally great demand on the volume and production of capital goods. The reconstruction and the technical modernization of this industry will form an essential condition of our future development, since the technical level of our economy, the tempo of introducing up-to-date production techniques, the effectiveness of investment and the basic production funds, as well as our place in the international trade, will be more and more conditioned by the technical development of the machine building industry. In this important industrial sector the fullest utilization of the economic advantages of mechanized and automatic mass production should be made possible by an expansion of producing cooperation and specialization. Parallel with capital goods, modern production of building materials and modern building element will likewise represent a significant factor contributing to the efficiency of the capital projects in a far greater measure than heretofore.

Lastly, from the point of view both of internal development and that of the promotion and extension of our foreign trade, the dynamic branches will be those branches of manufacturing which are based on intensive utilization of the available raw materials in agriculture and forestry, such as the mechanical and chemical conversion of wood, food processing, and the like.

The singling-out of these basic production complexes and their quickened development being specially emphasized forms the essence and the fundamental producing orientation of our policy in the sphere of the future development of industrial production. This orientation is illustrated by the following tabulation showing the place and acceleration assumed by these main groups of industrial production:

Production, by the Main Economic Groups

	Index 1965/60	Average increase rate 1961-65	Structure 1960	Structure 1965
Power industry	173	11,6	15	14
Production of equipment and durable consumer goods	189	13,5	25	26
Basic metals	172	11,5	12	11
Chemical manufacture	217	16,7	6	7
Processing of farm produce	188	13,4	9	10
Wood working industry	205	15,4	8	8
Building materials and non-metalic minerals	200	14,9	6	6
Clothing and footwear manufacture	171	11,4	17	16
Other industries	186	13,2	2	2
Total	186	13,2	100	100

The production policy in agriculture emphasizes the intensification of agricultural production, as regards both higher yields by area and higher productivity of labour per employed person. The same policy will also tend toward a larger diversification of agricultural production so that the requirements of personal consumption may be satisfied at a considerably higher level than heretofore, that larger quantities of raw materials may be made available to the food processing industries and a substantially larger mass of products for export purposes.

Withing the framework of this production policy, our efforts should first aim toward quickened development of stock breeding and the relevant raw materials basis which would assist this development, e. g. the growing of feed grains, of green fodder, and so on. In accordance with the requirements of domestic consumption and exports, the main effort in this development will be on cattle breeding, whose promotion should primarily be based on an increase of the socially-organized production on large holdings. This policy will enable the meat and milk output to be raised by about 60 percent during the next five years. The output of other livestock products is to be increased in a similar way.

This orientation will also demand changes in the structure of the crop production. With a view to satisfying the requirements connected with the foreseen promotion of stock breeding and insuring an increase of exports, the production of feed grains particularly maize, will be raised considerably, that is from the 5,850 tons of maize in 1959 to 9,000 tons in 1965. A large increase is also due to take place in the output of industrial crops, notably oil seeds, sugar beet and cotton.

The planned production increases in agriculture, marked by its steady intensification, will only be possible with a simultaneous and constant promotion of socially-organized production. As a result, the coming period is also to see a further expansion of the area of large socially-owned farms, as well as further intensive development of cooperation with individual producers. The coming years will witness a more rapid process of creating new socialist relationships in agriculture which should lead to preponderance of socialist forces in this important domain for our continued economic and social development. However, the seriousness and scope of this task, the whole extent of which is revealed by the mere fact that at the end of this five-year period the socialist sector should be supplying over 70 percent of the market needs. First of all, as stressed earlier, there arises the problem of modifying the prices of certain agricultural products. Besides, capital accumulation in agriculture should not continue to waver on the border line of existence from one year to the other. In the future agriculture and the socialist agricultural organizations must have their own capital funds if they are operating in a normal way; they cannot keep developing in the most rational and the most economic way if their economic activity does not provide for internal capital formation and subsequent investments.

Today we can discuss the volume of capital formation agriculture should create on the basis that the present prices of agricultural products approach more closely economically viable prices, with due regard for the concrete social relations in the village, since, besides the socialist production sector, there is also the strong individual sector in the case of which it is more difficult to form new capital on basis of increased prices of agricultural products. For this very reason it is impossible . to make ordinary comparisons from the point of view of totally identical conditions for capital accumulation in agriculture and in industry, simply because their socialist relations are not the same. As long as the process of promotion of socialist relations in the village proceeds it is possible to practice indirect forms of assitance for the development of agriculture. But in so far as agriculture today is unable to promote itself by way of internal capital formation, then it is absolutely necessary for socialist agricultural organizations to achieve a rate of capital accumulation which would be made possible, among other economic factors, by changing certain prices as well. In case this volume of accumulation proves inadequate for a particular developement of social-economic relations in agriculture, then it would be necessary to ensure the development planned for also by way of supplementary resources from the general investment funds. Thus alone is it possible to ensure a normal market position of agricultural organizations and stimulate the direct producers to strive to reduce treir production costs and raise their productivity of labour.

However, the gist of the problem is not only in price changes but also in modifying many of our views and practices. I believe that we are past the phase when we were content merely with modern technological solutions and when we were neglecting the economic problems of production — true, not in every agricultural organization but still in many. Similarly I think that the practice of partial investments should not be repeated, because only by general investments can a profitable production be established. We still have socialist holdings incapable of achieving an adequate income in spite of the latest technological solution because many other problems have not been solved yet. The matter definitely does not end with capital investments. Here we also have problems of personnel and organization, as well as remnants of old ideas, notably in cooperative orginazations. Here, too, the question of the distribution of income is just as acute as it is in the economy at large. The development of socialist relations in agriculture, the tempo of productivity and internal financing of growth with determine the rate of growth of production and the realization of all other aims in this sphere.

Intensive development, as well as the big tasks faced in connection with capital investment projects, demand that full attention be paid to the building construction industry in the coming years. This development and tasks require that our building construction industry orientate itself toward greater mechanization, more rational building methods, as well as the application of more economical and more up-to-date material and construction. This aim shall also be conditioned by the further promotion of the production of various building materials which would enable the building construction industry to build quickly and inexpensively. In this way alone shall we be able to make effective use of capital investments and insure a timely commissioning of the new plants scheduled by the Plan.

Parallel with the production increase the promotion of all branches of transport is also foreseen. The basic elements of this development occur in a more comprehensive modernization of transport equipment, as well as the enlargement of the transport network and facilities. With this aim, provision is made for the procurement of new modern vehicles, the standardization and electrification of railway tracks, the replacement of steam traction with diesel traction, as well as the introduction of other measures toward the modernization of transport. Also, there shall be undertaken the construction of several new railway lines, modern roads, notably trunk highways, as well as the construction of quays, seaports, river ports and airports. On the one hand, all these invesments should improve the quality of the transport services, particularly as regards quicker transportation, the regularity of traffic, and on the other hand they should enable a broader integration of the whole economy.

The funds provided for the modernization of transport are far higher than in earlier years. The altered economic position of transport in the coming years will contribute to the realization of the set aims. Administrative and centralized management has survived the longest in transport. As a result, the economic relations inside the enterprises involving distribution of the income have been in a rudimentary stage. Similarly the prices of the services and the rates had been formed on administrative foundation rather than on costs. Changing the rates, prices of the services on the basis of economic criteria, the new method of distributing income, as well as the foreseen organizational changes, shall put social-economic relations inside the enterprises upon solid socialist foundations and create stimulative conditions for the initiative both of individuals and the collectives themselves. This will enable the transport enterprises to create their own funds for independent financing of modernization and enlargement of their facilities. Thus, during the implementation of the Five-Year Plan broader conditions shall be created for self-financing as well as for more stable economic relations, with the result that the financing of transport from central funds will be reduced to the construction of major railway lines and trunk roads and to some exceptionally large investments involving the purchase of transport equipment reconstructions, and so on.

The other economic domains, such as trade, catering, the tourist industry and the service trades are similarly faced with comprehensive tasks. These emanate from the quick growth of real income of the population and the higher structure of consumption which is bound to be recorded in the coming years. In these domains, t[illegible] a question of enlarging the facilities, and also of introdu[illegible]proved, modern technical standars. Actually, our prime concern is to achieve a modernly organized trade, a developed system of catering-tourist services, as well as a maximum number of services for assistance to the household. For this reason significant funds are provided to promote these activities and enable them to satisfy the increasingly diversified requirements of the consumers in a fuller way. Besides, the policy of intensive development of the tourist industry should also insure larger receipts from the foreign-tourist traffic.

Such directions of development of different domains and branches of the economy and the stated structure of production in the first place, form the essential presuppositions for attaining the envisaged rate of economic growth. On the basis of such a policy it is possible to realize a balanced development of the economy in the aggregate, as well as the other aims of the Plan, notably those from the sphere of foreign trade and personal consumption.

b) Capital Investment Policy

The investment policy has been adjusted to represent the other side of the producing organization described above. The rapid development of production and income and the changes in the structure of this production similarly call for a high rate of invesment. However, the participation of economic investments in the national product will experience only a slight increase from the past 28 percent to 30 percent. Here it is to be noted that, even at this mild increase, the total volume of investments in the economy over the coming five years will actually exceed those made during the last ten years, which is suggestive of the considerably enhanced production potential and the larger volume of accumulation which is to be available. Thanks to this, this comparatively high investment rate can be realized without difficulties and upheavals and without prejudice to the development of personal living standards and social services.

In accordance with the tasks set, the annual average gross investments will be as follows, by economic domains:

Thousand million dinars

			Structure	
	1957-60	1961-65	1957-60	1961-65
Industry	207,9	403,0	43	47
Agriculture	87,3	136,0	18	16
Forestry	8,4	15,0	2	2
Construction	15,4	33,0	3	4
Transport	119,9	193,0	25	22
Trade and catering	32,4	58,0	7	7
Total economic investments	478,9	854,0	100	100

The distribution of investments between the basic economic domains follows a pattern devised to ensure a balanced movement of the basic sections of production and the economy as a whole. In this connection, there are, considerably increased investments in industry as a whole and particularly in some of its key branches, e. g. the power industry, ferrous metallurgy, chemical manufacture, then in construction and the production of bulding materials. In the case of investments in agriculture, which will reach a high rate in the coming years, it is indispensable to time them so as to coincide with investments in other activities (the processing of farm produce, transport, trade etc.), with a view to safeguarding a successful realization of agricultural production.

At the root of our investment policy there is a constant improvement of the efficiency of investments, which springs from the system of economic activity, the promotion of production relationships with stimulative elements for increased productivity of labour, the ever-growing experiences of the workers in economic management, the introduction of modern techniques and improvements in the skill structure of the workers. However, the intensified participation of long-term and capital intensive investments will naturally have a certain adverse effect on the general efficiency of investments. In order to shorten the terms of certain long-term investments it will be necessary to extend even more the influence of those social and material factors which have heretofore served to improve the efficiency of investments. Besides, many other organizational, economic and technical measures will be necessary to speed the maturation periods of investments and safeguard a more rational utilization of the production funds.

Despite the fact that intensive investmetnts are foreseen for the coming period, and even a certain increase of their participation in the basic distribution of the national product, the new Five Year Plan took account of the fact that this policy does not hamper the stability of the market and of the economy in general. Consequently provisions were made for more comprehensive investments in working capital and for creating reserves of finished products and raw materials as well as the necessary foreign-exchange. These reserves should prevent price fluctuations and other harmful market phenomena in the coming years.

It we are to fulfil successfully the tasks set by the new Five Year Plan, prime consideration must be given to the scheduled level and structure of investments so that the established proportions of the distribution of the national resources are not upset, nor the planned volume of investments exceeded. At the Fifth Congress of the Socialist Alliance of the Working People of Yugoslavia, President Tito had specially stressed the importance of this question, emphasizing that it would be impermissible to endanger — for the sake of the larger volume of investments — the stability of the market and the rate of increase, of personal consumption and the social services, which have ranked among the decisive factors in the results realized to date, in the growth of production, the national income and the general economic activity. Investments must conform to our material possibilities, and to the economic-political aims to which all individual demands and desires should be subordinated.

c) *Productivity of Labour, Technology and Personnel*

The production policy and tempo of development similarly demand a continued growth of productivity higher than that realized to date. The average rate of productivity increase, measured by the growth in the national product per employed person, is estimated to be nearly 7 percent annually in the economy of the socialist sector, as against the 4.9 percent during the last seven years.

It is significant that in the coming period the growth of productivity will be a weightier factor of increasing production than the inclusion of new labour force in production, as distinct from past development when increased production was more the result of increased employment and less so of heightened productivity. This qualitative change wich should take place in the coming period should at the same time mark a higher phase of development of our economy, which is revealed by the following table of the participation of employment *and* productivity in the growth of the social product in different periods:

Period	Participation of employment & productivity in the national product: Employment	Productivity
1954-56	77	23
1957-60	52	48
1961-65	48	52

The high rate of productivity will logically follow from the increased application of new techniques and technology, as well as of a modern organization of production. In this respect, in the coming years, our possibilities will be incomparably greater than before, given the attained level of economic development and the larger volume of investments. However, there is also a growing need for introducing more up-to-date technical developments, especially in the field of automation and electronics, in view of the extraordinarily quick pace of technical progress in the world. Keeping step with progress does not merely mean utilizing foreign experiences but equally so the need that we also build up our own modern technology and find modern technical solutions so that we may be solving complicated production problems independently and successfully.

As I have emphasized, the foreseen volume and structure of investments will enable us to reach a far higher level of technical equipment, considering that the average amount of investment for a new working post rise in the whole economy from the 3 million dinars in the period of 1957—60 to about 4.8 million dinars in the coming five-year period which gives an increase of 60 percent.

The increased investments per new job indicate that our future development will rely more and more on the application of modern technology, in all branches of the economy and particularly in ferrous metallurgy, machine building, chemical manufacturing and construction. But notwithstanding this fact in assessing the growth of productivity considering the generally familiar point that modern technology today have been responsible for a rapid rise of productivity wherever they were applied, we attach equal importance to the fact as well that people who are engaged in the production process should be so stimulated as to produce as much as possible, as best as possible and in the most rational way. This human factor in an economy marked by very large leaps, in which there is a growing market exhibiting a surging expansion which, none the less, is never sufficiently saturated just on account of this growth and an adequate rise of personal and social service standards, must discharge an equally crucial role, coupled with advanced techniques for raising productivity. The extent to which we shall be utilizing the plant capacities, and the way in which we shall be utilized primarilly depends in an economy like ours, among other considerations, upon people themselves, upon their interest and their socialist consciousness. And we now find ourselves at a turn involving the conversion of our economy from a backward into a developed and modern economy, of our country from an agrarian into an industrial one, of our production from one with a handicraft character and low series in many branches into one with a modern industrial character and large series. All this together demands investments not only in production but investments in the broadest sense, in people too. In people, though, not in the old way but in a way enabling them, by their producing and participating in the distribution of the income, themselves to care how to create the best conditions so that what they are contributing to national production shall be most adequately allocated both to remuneration according to output and to investments for social services. As already mentioned, the hitherto prevailing distribution of the income has reached an end, and there are no more reserves for a stimulative impulsion toward higher productivity of labour. Meaning that only the further development of the social-economic relationships of our society, from which there shall disappear even the last vestiges of wage labour, can resolve all those knots which will vest the emancipated worker with an even greater impetus and afford him even greater conditions so that he may be more considered and far more productive than heretofore. While measurement of the technical relations per job and productivity does lend itself to planned assessment, it is far more difficult to measure in a more precise way, especially for a longer planinng period, the tempo and growth of productivity which springs from the promotion of human relations in production. On the other hand, though there are sure to exist reserves and the planned rate, high as it is, it will be exceeded, considering the further development of socialist relations in our country.

The more and more extensive introduction of modern production techniques and technology makes it acutely incombent to undertake a systematic enlargement of the network of scientific-research institutions whose activity would enable the more rapid application of scientific developments. The prescripts we have issued this year afford favourable conditions for solving many organizational and material questions connected with the carrying out of this task. However, there still remain many problems to be tackled in this context, notably in the sphere of personnel policy and the training of research workers.

There is no doubt but that in coping with the question of productivity, coupled with a more and more extensive introduction of up-to-date technology, a decisive role will be played by our aptitude to solve successfully the questions of the training and preparing of skilled personnel by synchronizing this work with the development of the material productive forces. The very fact that in the coming five years we shall have to train 85,000 new persons with high and advanced qualifications, nearly 170,000 new persons with secondary qualifications and over 400,000 highly-skilled and skilled workers provides clear evidence of the difficulty of this task. Although the solving of this task is to be facilitated by the measures already taken in the sphere of schooling, special efforts shall have to be made to deal with the problem considering the longer period of time needed to produce trained personnel. The Resolution relating to the training of skilled personnel has provided the basic directives for the solution of this problem, and it is the task of us all, and particularly of our school system, to have this Resolution put into effect as fully as possible. In this respect, the Law on School Financing which is before us will also contribute to the more successful solution of this question.

Of course, parallel with the new technology there shall proceed the process of including fresh labour force in the economy, and its transfer from agriculture to other domains. It is estimated that in the coming period the average contingent of newly employed persons will reach about 200,000 annually, which exceeds the annual average increase in the economically active population which equals about 130.000. This will reduce the proportion of agricultural population from the about 50 percent in 1960 to approximately 42 percent in 1965. The whole magnitude of this process involving great social changes of our society is best seen from the fact that as recently as twenty years ago Yugoslavia's agricultural population had accounted for nearly three-fourths of her total population. Unquestionably the process of liquidation of the prevalently agrarian character of the country implies potential possibilities for intensifying agricultural production and raising productivity.

3. DEVELOPMENT OF UNDEVELOPED AREAS

Similarly our whole development in the coming years will create conditions for a quicker and more successful development of undeveloped areas. These conditions spring from the fact that the economic potential of Yugoslavia will be then considerably higher, which will enable larger outlays to be made from the investment funds for quickened development of these areas. Thanks to this, there are real possibilities to build up a complete system of measures for the purpose.

In the past period, too, the community has made allocations from its resources intended for development of the undeveloped areas of Yugoslavia. In connection with the present Plan, the same question came up on a far larger scale than before because the undeveloped area of our country covers a larger territory and a larger number of inhabitants. The area which was subject to special treatment as undeveloped before included about 3 million inhabitants. This time the question came up of a new area with a somewhat larger population. Convincing political and economic reasons require the need for a policy involving economic assistance of the community to the whole undeveloped area of the country, for, thanks to a combination of historical circumstances, as well as the political-social life of our national and regional territories, great differences had arisen in the economic level and the social structure of the country. Although there are certain territories in socialist Yugoslavia whose industrial production has been developed over 7-fold compared with the prewar level (Macedonia), and even 10-fold (Montenegro), there still remain great differentials in the per capita national income between developed and undeveloped areas. As a result, it has proved necessary to increase the means of the central fund so that the broader undeveloped area may be developed more rapidly with the prospective view of achieving a relative reduction of those great differentials in the income of the population. In this account had to be taken of the following premises: to provide the material conditions for the development of undeveloped areas which will enable them to proceed at a quicker rate than the Yugoslav average, taking due care to base this development on real conditions allowing for the most effective investment of the available resources. Besides, the rate of development of the undeveloped area also had to be assessed with due respect for the fact that, for the sake of a balanced development of the economy in general, the accumulation rate should not be raised so sharply as to jeopardize the over-all development, notably that of the personal consumption and standard, or the development of socialist relations, which would slowdown all economic movements. In considering this problem we must find the optimum measure which would jeopardize neither the one nor the other of these movements.

This extension of investments to a larger area will have major political and economic positive effects too. Not only will it result in an enlargement of the area with improved living standards and an altered structure of the purchasing funds, not only will the occupational structure of the population be modified and the Yugoslav market expanded, but in many parts of the undeveloped areas there shall really begin to be developed the socialist relationships which have so far existed in primary forms. Therefore, even the forms of self-government and social initiative have been here at a far lower level than in the regions where we had a more developed economy. The development of these areas also commands great importance for our economically more developed districts since these areas provide a market for their production, especially that of capital goods. Even more than in earlier years, with this Plan we are also promoting socialist relationships on the whole territory of our country and gradually reducing the inherited disparities in the economic capacity of different parts of Yugoslavia. This at the same time forms a way for checking various chauvinistic and localist phenomena and the course of strengthening the unity of our peoples.

In the coming period total investments in the basic assets of the economy in undeveloped areas should reach over 1,180,000 million dinars, or an average of about 236,000 million dinars annually which compares with the about 100,000 million dinars in past years. These more than doubled investments should insure an annual average rate of economic growth for the whole undeveloped area equalling about 14 percent, as against the 10.7 percent in past years, and as against the 11.4 percent scheduled for the economy as a whole. Within the framework of these rates it is foreseen that economic development in the People's Republic of Macedonia will proceed at the average rate of about 14—15 percent, in the People's Republic of Montenegro and the Autonomous Kosovo-Metohija Region at the rate of about 18—20 percent, while the rate of growth on the undeveloped areas in the People's Republic of Serbia, the People's Republic of Croatia and the People's Republic of Bosnia-Herzegovina will similarly range above the Yugoslav average.

The fundamental way of development of undeveloped areas should be the promotion of industry. In other words, the idea is to carry out the quickest and most effective mobilization of economic and human resources for the activity of all sectors of the economy by creating industrialized nuclei. This course makes for the quickest growth of national income and employment and the quickest alteration of the vocational structure of the population. Beside industrial and other production, it will be necessary to promote also those activities and services which represent the so-called economic and social infrastructure such as transport development, the erection of power plants, the training of personnel, etc.

Our policy of development of undeveloped areas in the coming years is not confined merely to consideration of the desirable level of investments but it also establishes a broad system of measures intended to insure the fulfilment of the scheduled tasks. In this connection, there is to be emphasized, first of all, the establishment of the Federal Development Fund for Undeveloped Areas intended prevalently for the erection of manufacturing plants. Here it is significant that the resources of this Fund will be granted for the development of undeveloped areas on terms more favourable than the general terms for the financing of capital projects. Next, funds will be granted from the Fund also for the obligatory participations stipulated in connection with obtaining loans from the General Investments Fund. Besides, we should emphasize that investors from undeveloped areas will enjoy priority in credit from the resources of the General Investment Fund, subject to their meeting the general commercial criteria, as well as that the necessary personnel, technical and other assistance will be extended in the carrying out of investment programmes and projects. In all these efforts it is also reckoned with a more considerable engagement of the resources and initiative of the organs of the people's republics where these areas are situated. All requisite measures, including both greatly increased resources for development purposes and technical, personnel and other assistance, will render the process of the social-economic development of those areas quicker than the resources of this and as such it will have a favourable effect on the developed area as well, and on the development of the Yugoslav economy as a whole. To be able to realize these tasks it will certainly be necessary to mobilize all factors both in the republic and the commune for the implementation of the policy of quickened development of undeveloped areas.

4. DEVELOPMENT OF ECONOMIC RELATIONS WITH FOREIGN COUNTRIES

In laying down the development policy for the coming period great care was taken to have the volume and structure of production afford the necessary conditions for intensified expansion of our foreign trade and a more comprehensive development of economic cooperation with foreign countries. On the basis of this production development it has been possible to foresee also a more considerable increase in foreign-trade, and also other forms of economic relations with markets abroad, such as scientific-technical cooperation, producing cooperation, investment arrangements with individual countries, etc.

The main task occurring in this context in the field of foreign trade is to eliminate the deficit in the current exchange of goods, that is, achieve a balance between the total exports and the aggregate imports of goods and services, by way of a continued growth in the volume of foreign trade. Fulfilment of this task, which represent one of the important aims of future development, will definitely constitute a new quality to be attained by the economy during the course of the coming planning period.

The total volume of goods exchange with abroad in 1965 should mark a 74 percent increase compared with 1960, which gives an average increase of about 12 percent annually. However, the stated tasks in the sphere of the payments balance have demanded that the increase rate of the export of goods and services be above of growth rate of the national product.

In raising exports the margin of increase will feature even more prominently industry and manufactures, notably through the promotion of serial and mass production. The main protagonists of industrial exports will include those branches whose production costs, the volume, structure and quality of the products can insure a corresponding expansion of exports and generally a more advantageous position to the country in international commodity trade. These export branches definitely include metal manufacture with the shipbuilding industry and the electrical products industry, then chemicals and woodworking, cellulose and paper manufacture, non-ferrous metallurgy and food manufacture. It is pertinent to emphasize that these branches command an equal importance both for internal development and the development of our exports because their advance coincides with the long-term trends of world trade. Yugoslavia has favourable conditions for intensified expansion of these branches and, besides, a larger-scale production can be organized in these branches, meaning that a stronger diversification of exports can also be achieved simultaneously at lower production costs.

In the coming period it is realistic to expect also an intensification of the exports of agricultural products, given the quickened development of agricultural production and its changing structure. In the agtricultural domain, the prevalent portion of the exports will cover meat and livestock products, then maize, and other cereals, and a more perceptible export increase of other farm products should also be expected.

An important element due to help balance foreign trade shall be constituted by non-commodity transactions, i. e. the receipts of foreign exchange accruing from shipping, transit and foreign-tourist traffic. Thanks to the expansion of our merchant fleet, the promotion of transit and the creation of a broader material basis for the foreign-tourist traffic, our foreign-exchange receipts from non-commodity transactions should grow by over 70 percent during the next five years, the fact also highlighting their contribution in future effort to balance payments.

In the matter of imports, it is important to emphasize two points. First, in the imports structure a more perceptible increase shall be made in raw materials and the products directly serving the requirements of enlarged production, as distinct from earlier years when foodstuffs were a large import item. The second, and far more important, point is that the rate of imports increase should be lower then the exports increase. The basic condition for achieving this movement of imports will be an intensified expansion of the domestic output of production materials, especially that of industrial origin, because this way alone can an excessive expansion of imports be prevented in this and the following periods and the planned production growth realized with fixed import rates. This aspect of the problem features in its turn the significance of the future production structure and the need to realize the production policy established for the coming period as fully and as harmoniously as possible.

Thus traced, the development of our foreign trade will involve its geographic expansion, which at the same time will be directed toward the establishment of balanced relations. Yugoslavia will tend to promote and enlarge her trade with all regions in the spirit of her peace-loving policy and comprehensive cooperation with other countries. This implies that there will be a further growth of exchanges with every region. However, their highest relative quickening should be expected to take place vis-à-vis the Afro-Asian countries whose industrialization is beginning today. Economic relations with these contries shall be intensified both by way of increasing the regular commodity trade and by way of investment arrangements and other forms of economic cooperation.

Generally speaking, our economic relations with foreign countries far transcend the framework of commodity trade alone. The existing economic relations with a large number of countries will call in the future for an even broader application of all forms of international economic cooperation, which forms, beside the regular trade exchange, form a solid basis of development of durable and stable economic links with other countries. It is to be expected that a significant role will be played in this direction by scientific-technical cooperation, the exchange of technical experiences and, particularly, industrial cooperation, whose aim should be larger division of labour, specialization and a more rational organization of production.

At the close of this statement on foreign trade and our economic relations with markets abroad it is indispensable to indicate the magnitude and seriousness of the tasks confronting out economy in this sphere. The strengthening of our position in international exchange will dictate the need for a constant perfecting of production, raising its technical level, cutting production costs, attaining high standards, in one word, the need to raise the competitive capacity of the whole economy. To this qualitative side of development a particular attention must therefore be devoted, all the more so because even the structure itself of foreign trade is to change more significantly in the coming years. Besides the investment policy and other measures aimed at a qualitative improvement of production, here a special role should also be played by the existing reform of the foreign-exchange system which shall stimulate the elements of rationality in foreign trade in a new way and afford more initiative to economic organizations in their foreign trade operations.

5. PERSONAL CONSUMPTION AND THE SOCIAL SERVICES

As a result of the foreseen development the standard of living of the population should continue rising at an intensive rate in the coming years. This rise has been measured in such a way as to allow the human factor to manifest itself in improved living and working conditions, working habits, the degree of skills and education, all of which is becoming more and more decisive for the further development of production and productivity of labour and for the general efficiency of the whole economy.

By 1965 personal consumption should rise by about 50 percent compared with 1960, which gives an annual average increase of 8.8 percent. Viewing the foreseen personal consumption increase together with the increase to date, a very impressive increase of real personal consumption is obtained for the 13-year period from 1953 to 1965, by over two times per inhabitant. Taken together with the development of the social services, the per capita personal consumption should rise by two and a half times during the same 13 years. This intensive development of the standard of living will make for quickened reduction of the differences still existing in this respect between us and developed countries.

Functional dependence of the development of personal consumption upon the growth of productivity represents the starting principle in the measurement of the level of real earnings of the workers in the socialist sector. Consequently the increase rate of the average wages of the workers in the economy is in complete accord with the planned dynamism of the productivity increase. The high average rate of increase of real personal consumption of 6.7 percent annually and its harmonious movement with the productivity of labour should have a stimulative effect on the development of production and the other components in the development of our economy.

The foreseen tempo of personal consumption increase and the general improvement of living conditions will undoubtedly enable significant changes in its structure. These changes should lead to a higher standard of personal consumption distinguished by a decrease of the relative proportion spent on food and an increase of the proportion spent on manufactured goods. The relative proportion spent on food is expected to decline from the 42 percent in 1960 to under 38 percent in 1965, accompanied by a perceptible increase in the consumption of higher quality products, such as meat, milk, eggs, sugar, which are a feature of a higher standard diet, at the expense of an absolute and relative decrease in the consumption of cereals. Of course, these changes in the structure of nutrition, due to take place within a comparatively short period of time, will also have to be upheld by an adequate price policy designed to quicken and stimulate the consumption of the more qualitative foods.

It is estimated that the relative portion spent on manufactured goods in the total consumption of the population will increase from the present 39 percent to about 46 percent in 1965. In this the most pronounced change should be expected in the increased purchases of durable goods, such as electrical household applicances, radio and TV, sets motor cars and the like. These purchases should be doubled within five years. Naturally such an expansion of durable goods only represents the expression of a higher living standard of the population which should be reached in the coming years. Also this standard denotes a more perceptible increase in the expenditures for other industrial products, such as textiles, footwear, furniture an the like.

The expected changes in the structure of personal consumption, particularly that of the urban population, must be accompanied by a marked expansion of various household services. Of course, the extension of services cannot be promoted only within the narrow framework of handicraft activities but rather as a new and largely industrialized mechanism of a developed activity without which modern life of urban families is inconceivable. The past initiative and successes in this respect afford much hope that the expansion and the sound organization of these services will be able to satisfy the increasingly diversified requirements of our citizens.

The increasingly complex structure of personal consumption is of substantial importance also as regards the further strengthening of the role of the internal market. Higher personal income and a stronger differentiation of consumption spells an intensified and more varied demand for manufactured goods, in which the market has a considerable influence on the diversification of production, notably on the manufacturing industries, and on changing the structure of this production. The mutually stimulative action of production and consumption will speed development and harmonize the relations to an additional extent.

Parallel with the intensive growth of personal consumption, provision is also made for a significant increase of expenditure in the sphere of the social services, which should average a 13 percent annual rise. Here it is to be noted that, as distinct from the past period, when our efforts were mainly intended to preclude a worsening of the conditions in the various activities of the social services, in the coming years the emphasis will be on enlarging these services and improving the material and other conditions for their functioning. The mere fact that the amout to be invested annually in the erection of housing, schools, health, social and other institutions will average nearly twice that expended in earlier years (260,000 million dinars as against 140,000 million dinars) illustrates the turning toward improvement of the social services, which represents one of the essential characteristics of our future development.

Capital projects in the sphere of the social services will definitely represent a large economic complex highly important not only from the point of view of improving the living conditions of the citizens, but also from that of the development of productive forces at large. Around the social services, notably around housing construction, which occupies the most prominent place, accounting as it does for over 70 percent of the total outlays for the social services there shall be formed a wide field of activity for various production branches, such as construction, the building materials industry, woodworking, the manufacture of durable consumer goods, etc. An intensive expansion of production in every direction will be demanded by the increased capital investments in the housing-communal activity, from the 102,000 million dinars to 185,000 million dinars annually on the average, and in the erection of educational, cultural, social, health and other projects, from the 36,000 millions to over 72,000 millions. Therefore, the planned development of the social services will encourage many economic activities, representing as such a highly dynamic sector in the future development of our economy.

The prescripts we have issued in the sphere of financing the various social services, as well as those being prepared, afford favourable conditions for the carrying out of this task.

6. CHANGES IN THE ECONOMIC SYSTEM

In drawing up the Plan comprehensive analyses were made concerning the relation between the development plan and the economic system. The conception of development of material production and consumption had to include also all the presuppositions of the further development of socialist relationships of production whereby the realization of the established conception of development is conditioned. The interdependence springs from the fact that, basically, the conception of development is nothing else but a conception of the realization of the pace of economic development in a particular period on the basis of assesment of the really possible economic movements. In order that the conception of development may be realized, it is necessary to assess also all those measures and instruments through the agency of which the attainment of the concrete aims may consciously be influenced.

Unlike the plans in other countries, where the conscious directive element is mainly established from above which is manifest in the detailed instructions concerning both the quantitative and qualitative material relations and movements, our own plans, while similarly having directive conscious elements, are established in such a way that the market relations and the free decision-making and independent planning of the direct producers also act within a particular framework and in a particular manner. In other words, in order that a conception of development in our case may become a development plan it is also necessary to create the conditions for development of the production relations by way of such an economic system wherein the producers will be influencing with their decisions and acts the movement of material production freed from every economic pressure whether in production or distribution, save the pressure which society as a whole necessarily must exercise toward allocation or regulation for general community requirements, including the requirements of development which the community takes upon itself.

The production relations and the economic system built thereon, which has to be promoted all the time with a view to ist growing efficiency, must similarly be modified and perfected in the coming period. The analyses which have been made during the drawing-up of the conception of development have demonstrated that the past system of distribution, which has played a major role in the promotion of production and socialist relationships, reveals today, and would reveal even more tomorrow, a tendency of retarding the development of the production relations, short of many deficiencies being eliminated in its mechanism. In the first place this involves those elements which do not create encouragement of greater productivity, which in the further development represents one of the key issues both of production and consumption. In the system of income distribution those obstacles which hamper the freedom of the producer and abolition of the remnants of wage relationships must be eliminated. In this connection, numerous other problems which have arisen in past development were also examined, problems calling for a solution so that the effect of the emancipation of the producer may assume wider proportions in our society.

The first group of problems covers questions from the sphere of the economics of enterprises: the dissimilar economic conditions between enterprises inside individual branches of production between the production branches and between different domains. Inside individual branches there are major differences between groups of enterprises, measured by the earning capacity of the enterprises or their capital formation capacity. The varied economic position of enterprises is a necessary phenomenon, being for the most part the outcome of a varied productivity of labour. However, from the point of view of the possibility of self-financing, as well as of the possibility of raising the personal income of the workers, the question shapes itself differently, it involves the perspective of creating material possibilities, in so far as it is a matter of objective conditions, obsolete facilities, a low organic capital structure, so that such enterprises may improve the structure of their basic assets with a view to becoming more profitable. It is beyond every doubt that the problem of those enterprises poses itself here as a matter of dual interest: both as a problem of the quickest development of the productive forces and as a problem of development of socialist relations. Both these interests have their social justification and both of them demand social intervention. While the differences between enterprises had mostly originated from the internal conditions of production and the operating methods, and productivity of labour, the differences between the branches are the consequence of the market conditions for individual branches. One crucial consideration creating these market conditions in different branches is the distortion of prices, since in the economic movement to date the price relations were also formed, in various periods, under the influence of centralized administrative measures which at the moment of their issuance did have their justification but which gradually lost every *raison d'être* as the economy continued developing. Thus, in the marketing of products today we have a variously valorized quantum of labour or a variously valorized quantum of investment in different branches of the economy. This situation demands that the criteria be found for social intervention in creating the market conditions for those branches of the economy which have a disadvantageous position on the market. In other words, this signifies opening the process for different price relations and arrangements, as well as a different relation in capital accumulation. The creating of new price relations certainly does not necessarily mean the creating of a so-called "open market" where all prices would range and become formed in accordance with the market laws, because in our conditions such a course would mean opening a process which would upset not only the market stability but the harmonious development of the economy and normal development of socialist relations. The planned framework of delevopment, as well as the provisions of the system, will influence the formation of prices in the future, too, only this time from a different level and in other material relations. Neither in the future will it be possible to avoid interventions by society, even by way of ceiling prices, since not every fixing of ceiling prices amounts to stifling economically sound prices. Our market conditions demand constant intervention by the community in various forms with the aim of bringing particular elemental, monopolist and other market phenomena under control and adjusting them to the general price movements on the basis of the over-all social-economic movements in different periods of our development.

The third complex of questions involves the economic complex in the communes and territorial areas refered to before, while the fourth problem — the question of enlarged productive forces in different branches of the economy. There are differences appearing in the branches devoted to manufacture of the means of production (notably the manufacture of production machinery and raw materials) and the branches devoted to the manufacture of consumers goods. In the perspective development, if our basic line is to coordinate these two sections of production then harmonious development calls for a somewhat quicker tempo of development of the manufacture the means of production. In this sector the investments by volume are larger, the period of construction longer and the effectiveness of the resources invested lesser than in the sector for the production of consumers goods, and for this reason it demands a more vigilant community control in its development. I have raised those questions which will have to be taken into consideration in the future elaboration of the system because the process of coordinating prices has already begun and the Plan has had to make provision for certain central funds for investment in the case of obsolete enterprises to afford them better market conditions, as well as for funds to finance the undeveloped regions and the major basic projects in the branches devoted to the manufacture of the means of production. All these changes, as well as the changes in the credit system and the introduction of the foreign-exchange reform, which should create stronger conditions for more stable material movements and a more effective trade with markets abroad, will eliminate many abnormal relations which had arisen in the economy and created the conditions so that the new method of distribution of income may really initiate a more extensive and more balanced development of social-economic relations, embracing in the future not only the production branches which were enjoying a more favourable market position for some time, but also other branches, and particularly the undeveloped territories.

Even though the new distribution of income will lead to a somewhat greater decentralization of the resources than had been expected, in the conditions of the changed market position of the branches and enterprises it will signify no essential distribution of the resources but will only enable the enterprises and branches operating more efficiently and boasting higher productivity will now be realizing, under conditions more favourable for the whole economy, larger free resources for workers earnings and for the various funds of enterprises. This will be mirrored in an increase of the national product and a general impetus of the economy as a whole.

In defining our economic policy this Plan could not cover or solve all the problems. Elucidation of the economic system with all the necessary instruments is only pending. In so far as the objective development should demand it, changes will be made and more appropriate solutions found toward the best construction of the material basis of our society. The Plan could have no aims other than to find, optimum economic-social conditions for the maximum production and productivity of labour, for the development of the material-producing relations which will broadly develop the material basis of our socialist society. It could have no other aims than to create, on the basis of increasing material production, the conditions for the further development of socialist relations and for strengthening the consciousness of the free producers and citizens of our country about their great tasks of building a socialist economy and a socialist society. From this point of view the coming period represents a new chapter in our development, the chapter of our country's rise to the level of developed countries, the chapter of an even more developed and stable socialist democracy.

The figures which are familiar to us ever since the Fifth Congress of the Socialist Alliance of the Working People of Yugoslavia form an imposing expression of our economic and social advance; in themselves they also express the magnitude of the task confronting us and which our working people will fulfil and, more probably than not, exceed just as in the case of the preceding Plan.

Today we are acting under far more favourable conditions than before, our capacity had increased and our capabilities have grown in breadth and our life richer; so if we set these major tasks as our basic goals in all our plans and programmes of enterprises, communes and other — the year 1965 will be engraved as an additional date in our achievements, important in the history of development both of socialist economics and socialist relationships in our country.

THE FIVE YEAR PLAN
OF ECONOMIC DEVELOPMENT OF YUGOSLAVIA FROM 1961 TO 1965

THE FIVE YEAR PLAN OF ECONOMIC DEVELOPMENT OF YUGOSLAVIA FROM 1961 TO 1965*

PREAMBLE

1. The intense and continuous efforts and strivings which the working people of Yugoslavia have made throughout the whole postwar period to overcome the inherited economic backwardness and set up the foundations for an improvement of the living conditions of the people and for the building of a socialist society have been yielding more and more perceptible and growing results from year to year. These results have been particularly remarkable in the period of execution of the 1957—61 Social Plan of Economic Development of Yugoslavia. During those years the growth of the productive forces and production was more rapid and, particularly, far more comprehensive than in the preceding years. During the first five years of postwar reconstruction, from 1948 to 1952, national income rose at the average rate of 1.9 percent annually; during the second period, from 1953 to 1956, the rate of increase in national income equalled 8.4 percent; during the period of 1957—60 it reached 13.0 percent annually.

The comprehensive nature of economic development during the last four years has been evident both in production, employment, capital investments and in the basic distribution of national income.

2. In addition to continuous intensive development of industrial production, which had formed the basic characteristic of economic development in the first period as well, the last four years have been marked by a large growth in all other domains of the economy as well, notably in agricultural production. During the initial years agricultural production had stagnated, exhibiting even a certain measure of decline, and its growth began in 1953. This upward trend, mild at first, has gathered considerable momentum in recent years. This developmet is illustrated by the table below which gives the annual average rate of increase in percentages:

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* Translated from the *Official Gazette of the Federal People's Republic of Yugoslavia*, No 53, of December 31, 1960.

	Period 1948—52	Period 1953—56	Period 1957—60	Period 1948—60
National income	1,9	8,4	13,0	7,2
Industrial production[1]	6,4	12,8	14,2	10,7
Agricultural production[1,2]	— 1,5	4,1	10,5	4,9
Forest exploitation, fellings	2,5	— 4,7	2,6	3,8
Construction[1]	— 0,9	— 2,0	16,2	3,8
Transport[1]	6,9	9,5	13,3	9,6

Parallel with the large growth of agricultural production, the increased fellings in forestry, the simultaneous development of power resources and the raw materials basis in manufacturing and mining, the natural wealth of the country was utilized more intensively and far more rationally during the 1957—60 period. At the same time the manufacturing industries had continued to develop and there was a considerable increase in their output, especially in consumer goods. This has helped to rectify the lag that had occurred in this production sector up to 1952, and which was still not fully overcome during 1953—56. The output of consumer goods in industry rose at the annualy average rate of 1.8 percent during the 1948—52 period, 12.8 percent during 1953—56, and 15.7 percent during the last four years.

3. The sustained and very intensive development of industry, the expansion of the socialist sector in agriculture, the parallel development of all other domains of agriculture, as well as the comprehensive development of social services, has contributed to a considerable increase of employment in the socialist sector. The number of workers and office employees in the socialist sector went up from the about 2,400,000 in 1956 to about 3,200,000 in 1960. During the 1957—60 period employment in the socialist sector rose at the average rate of

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[1] Physical volume.

[2] All rates are calculated by simple geometrical progression. To avoid the irregularities occurring in this calculation in the rates of agricultural production owing to the sharp annual fluctuations, here the rates are calculated on the basis of two-year averages (so far good and poor harvests have succeeded one another regularly). Thus the rate for the first period is calculated from the ratio of the two-year production volume for 1951—52 to the average from 1947—48; for the second period from the ratio of the two-year production for 1955—56 to the average from 1951—52; and for the third period from the ratio of the average production for 1959—60 to that for 1955—56. (Data of the Federal Statistical Institute — Statistical Yearbook 1960; for 1960 estimate of the Federal Office for Economic Planning).

about 195,000 annually, which is considerably above the annual increase of the active population. Thus recent years have withnessed a quickenig of the process of changing the economic and social structure of the population in the direction of an absolute decrease of the rural population and increase in the number of workers in non-farm occupations.

4. Despite the very high increase of employment in the socialist sector of the economy the last four years have been marked by a growth of productivity of labour in all domains of the economy. This growth has been particularly pronounced in agriculture of the socialist sector where it reached the average rate of 9.8 percent annually. In the recent years, too, the increased output in industry has been due more to engagement of fresh labour force and less to higher production per worker. However, it is noteworthy that during the last four years this production has increased considerably over earlier years. During the period of 1953—56 productivity of labour in industry had been growing at the annual average rate of 3 percent, which compares with the 6.2 percent, or more than double, during the last four years.

5. Parallel with continued intensive investments in the economy, the last four years also saw a quickened growth of the personal consumption of the population and promotion of the social services.

Up to 1949 there was a distinct upward trend in the personal consumption of the population; from 1950 to 1952, owing to special circumstances, there was stagnation, and even a partial decrease, by volume. This consumtion resumed its growth in 1953, to rise by 17.5 percent during the four following years. The lag from previous years was offset thereby in some measure. During the period from 1957 to 1960 real personal consumption increased by 45.8 percent over 1956, which gives an average increase of 9.9 percent annually. This considerable improvement of the living conditions of the population during the last four years, notably those of the workers and office employees, represents a decisive result of the efforts made in the entire postwar period to improve the material foundations of our society.

The raising of the material and cultural conditions of the people is revealed even more by the fact that the last four years have also been years of large capital investments to expand the material basis for promoting public and social services. During the first five years of postwar reconstruction the average sum of 57.500 million dinars (calculated at 1956 prices) was being invested annually in housing and communal projects, the construction and equipment of schools, in cultural and health institutions and the social welfare institutions, and during the succeeding four years, from 1953 to 1956, the corresponding sum equalled 52.200 million dinars annually. In the first period such investments in social services came to 16.7 percent of the total investments in basic assets, and in the second period to 13.8 percent. During the period from 1957 to 1960 the investments made in the social services averaged 121,100 million dinars annually, representing 21.2 percent of the total investments in basic assets. Therefore, during the last four years there has been invested in social services about as much as during the whole preceding nine years.

6. The quick pace of economic development during the last four years has enabled a large expansion of economic relations with foreign countries. During the four years exports of goods and services went up by 72.0 percent. At the same time, thanks to the results achieved in raising agricultural production, imports of foodstuffs — wheat, fats and sugar — which accounted for a time for over one-fourth of the total imports, were virtually eliminated. The large export increase and elimination of food imports have made it possible for our industry and agriculture to import larger quantities of production materials, increased purchases of foreign equipment and a considerably improved supply of consumer goods. During the last four years there has been a 69.4 percent increase in the import of goods and services.

7. The comprehensive nature of economic development during the last four years is also manifest in a more balanced territorial distribution of new productive forces. In this period it has beeen possible to pursue with greater consistency the policy of assistance to the economically less developed areas of Yugoslavia and to undertake the elimination of the high disparities in the development rate of different areas which was noted in the early years of postwar reconstruction. On the basis of the tasks of the 1957—61 Social Plan of Economic Development of Yugoslavia, during the last four years special investment programmes were put into effect in the People's Republic of Macedonia, the People's Republic of Montenegro and the Autonomous Kosovo-Metohija Region. Given the fact that they lay special emphasis on construction of a large number of new industrial plants, these programmes will considerably improve the economic position of those areas. During the period from 1957 to 1960, with the aid of Federal and Republican funds, there was instituted the financing of the construction of a series of industrial plants in other undeveloped areas of Yugoslavia also. Besides, by means of intensified capital investments in the economy especially in agriculture, during the last four years there has been offset in some measure the slower development recorded in the first period of postwar reconstruction in the areas where agriculture is represented to a larger extent.

8. Thanks to this rapid and comprehensive development during the last four years, the basic tasks of the 1957—61 Social Plan of

Economic Development of Yugoslavia were fulfilled and exceeded within four years. This is shown by the following table:

	Targets of the Plan for 1957-61	Fulfilment during 1957-60
National income[3]	54,4	63,0
Industrial production[3]	70,0	70,0
Agricultural production[3]	41,2[4]	59,8[4]
Forestry, fellings[3]	8,4	11,4
Exports of goods[3]	73,4	76,7
Imports of goods[3]	41,9	70,5
Personal consumption[3]	34—40	45,8
Total investments in fixed assets[5]	2.557,5	2.280,2
Investments in the social services[5]	545,3	484,6
Investments in housing and communal construction[5]	371,2	355,5

In some sectors the fulfilment of the 1957—61 Plan of Economic Development of Yugoslavia 1957—61 has not been even. The tasks established by the Plan in housing and communal construction and generally in the matter of investments for the social services have not been wholly fulfilled during the last four years. In industrial production the output of production equipment and consumer goods has been considerably exceeded, while the Plan has been exceeded far less in the production of certain raw materials and semi-manufactures, as well as in the production of building materials. This dissonance in the fulfilment of the Plan had led from time to time to market instability, to diminution of the stocks of certain goods, and this in particular had caused the planned imports to be largely exceeded, notably so those of raw materials and semi-manufactures. As a result, the task of the Plan concerning a reduction of the adverse payments balance has not been completely carried out, although the balance did experience a relative reduction in this period.

The fulfilment of the basic tasks of the Plan in less than four years, some notwithstanding unevennesses clearly shows the forces which were created and accumulated with great efforts in the whole postwar period, as well as the correct policy in the promotion of social-economic relationships, to have been far stronger than had been assumed at the time of enacting the Plan.

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[3] Increase in prercentages.

[4] Increase relates to the average 1951—55. The two-year average 1959—60 is taken as fulfilment.

[5] In thousand million dinars.

9. The large increase of production and productivity or labour, particularly during the last four years, has changed essentially the level of general economic development and the structure of the economy. The level of development and the structure of production and consumption today differ perceptibly from the level and structure in earlier years, and especially from the level and structure of the economy in prewar Yugoslavia.

10. Very large and decisive changes have taken place in production. Industry has definitively become the fundamental, predominant and decisive production branch. Today it contributes nearly 50 percent to the total national income, hence its more rapid growth is having a crucial effect on the growth of production and of the economy. Today our industry employs 1,100,000 workers; its output is 4.5 times higher than in prewar Yugoslavia, and 2.8 higher than in 1952. Its rapid growth has become very steady, as witness the fact that during the last eight years the annual rate of increase of industrial production has never fallen short of 10 percent. During the 13 years of postwar development not only has there appeared an output of a large variety of new products, but whole branches have been promoted which never existed before the war. The electrical products industry, with an output of electrical equipment, cables, electrical household appliances in a volume practicaly meeting the ever-growing requirement of the country; the marine shipbuilding industry, with a production of large-tonnage vessels and substantial deliveries to foreign countries; the petroleum producing and refining industry which satisfies the country's requirements in this important fuel — all these represent virtually new branches of industrial production created in the course of postwar development. Besides, today the production level of the metal manufacturing industries, with an output of industrial equipment, machine tools, agricultural and building machinery, transport equipment, Diesel engines, lorries, tractors, and so on, is nine times over prewar; of chemical manufacturing, with a new output of plastics, artificial fibres, fertilizers, and so on, is 7.4 times higher; the production of electric power is 7.5 times higher, of ferrous metallurgy 7.0 times higher, and so on.

With its production volume and structure, today this industry is capable of keeping all domains of the economy full supplied with all necessary production material, furnishing in considerable measure the machinery and equipment for the further intensive development of the productive forces, turning out increasing quantities of goods for export and providing the home market more and more fully with a growing variety of commodities toward raising the personal consumption of the population.

11. Significant changes have been recorded in agriculture. Here

the production level today exceeds the prewar level by about 60 percent. At this level, agriculture is increasingly capable of supplying the food processing industries with raw materials, increasing the surplus quantities for export, and, most decisive of all, it is capable of wholly meeting the growing requirements in the food supply of the population.

The growth of agricultural production in recent years is based on the very high rise in the socialist sector, the development of socialized agricultural holdings, cooperative farms and the increasingly diversified forms of cooperation of the socialist sector with individual producers. Thanks to the remarkably large investments and measures for a more up-to-date organization of the production, there has been promoted a highly productive output in the socialist sector of agriculture in recent years, although, for objective or subjective reasons, the economic results have not always rendered satisfaction. The large holdings, farms and cooperatives are making increasing use of highly-productive selected seeds, fertilizers and other means for the advancement of production, and their stock of modern producting implements is becoming fuller and fuller. In 1952 the amount of fertilizer used per hectare of cultivable land on large socialist holdings was at a minimum in 1955 it already came to 212 kilograms, and in 1960 it reached 823 kilograms. In 1952 there was one tractor to every 1,380 hectares of cultivable land in all agriculture, or 480 hectares on large socialist holdings; in 1956 there was one tractor to every 694 hectares of the total cultivable land, and 84 hectares on large socialist holdings; today there is one tractor to every 285 hectares in the all agriculture, and about 50 hectares on large socialist holdings. There has also been a considerable increase in the rest of the farm machinery, and particularly in the far greater variety. Very large tracts of land — and not merely those belonging to large socialist holdings — are sown today with highly productive grain, especially wheat and maize. Thanks to all this, high yields are recorded today on socialist holdings, especially for the two most important crops — wheat and maize — for the advancement of whose production greatest efforts were in fact made in the past period. The average yield of wheat per hectare on large socialist farms equalled 37.5 metric quintals in the two-year period of 1959—60, and of maize 47.9 metric quintals. Thanks to such yields and a considerable increase of yields on privately-owned land cultivated in co-operation with the socialist sector, the average yields for all categories of holdings came to 18.3 metric quintals for wheat and 23.6 metric quintals for maize, the figures representing two-years averages. Yields like these are on par with those marked in countries boasting a relatively developed agriculture.

The successes achieved in promoting the socialist sector have been responsible for a growth of its participation in the over-all agricultural production in recent years. This participation has been particularly notable in the production of surpluses for the market. In 1960 this sector has accounted for about 10 percent of the cultivable area, 15 percent of the total agricultural production and about 28 percent of surpluses for the market. The enhanced participation of the socialist sector in the production of surpluses for the market has had a decisive effect on a steadier market supply of farm products, especially the most important products of crop farming.

12. The economic and social structure of the population today differs essentially from that in past periods. On individually-owned holdings there has been a reduction of the agricultural population both in relative and absolute figures. Whereas in the prewar times two-thirds of the Yugoslav population were engaged in agriculture, and only one-third in other activities, and while in 1953 over 60 percent of the population were still overwhelmingly dependent on agriculture for a living, today the agricultural population is about 50 percent. There is a very intensive process of eployment in industry going on, as well as a decrease in the underemployed population in agriculture of private sector. However, thanks to the great efforts made for the education and professional training of personnel, despite this intensive employment of new, skilled labour from the village the skill structure of the workers and office epmloyees is better today than before. In 1953 skilled and highly-skilled workers had accounted for 29.9 percent of the employed workerst and office employees ,and in 1960 they accounted for 31.9 percent. In 1953 office employees with higher and intermediate school qualifications accounted for 12 percent, and in 1960 for 40 percent of the total number of workers and office employees.

There is a considerable increase in the network of schools and courses for the extra-school training. Today the enrolment of vocational secondary schools is 3.5 times the prewar figure. During the last ten years (1950—59) 5 times more persons have graduated from the faculties of engineering than during the 10 years preceding the last war 1930—39); 4.5 times from the faculties of agriculture, forestry and veterinary science; 5.6 times more from the faculties of medicine and stomatology; 3.2 times more from the faculties of philosophy, natural sciences and mathematics, and incomparably more from the faculties of economics; to say nothing of the influx of new trained forces from the advanced and high vocational schools which were virtually nonexistent in prewar Yugoslavia.

13. Recent years have also seen qualitative changes in the personal consumption of the population. For a long time after the war the most difficult problem in the personal consumption of the population had

to do with food, and it appeared in its most elementary form, revolving as it did around the supply of adequate quantities of wheat, fats and, to some extent, sugar. In earlier years these supplies had to be secured also by importing large quantities of the products. Food was the predominant item in the expenditure not only of the rural, but the worker's household. Until not long ago over one-half of the budget of workers' households was going for food.

The last several years already had witnessed a falling tendency in the relative participation of food costs in the budget of the worker's family. Other needs began to grow more and more, and also to be more fully satisfied, with the constant increase of the personal income of the population. In the matter of food, bread, fats, and sugar began to be suplemented by articles of a higher nutrition standard such as meat, milk, eggs and, still to some extent, sugar. In the consumption of manufactures an increasingly important place is assumed by consumer durable goods such as furniture, electric household appliances, radio receiving sets, TV sets, motor vehicles and the like. The structural changes which have taken place in the personal consumption of the population can be assessed from the figures tabulated below on the average specific consumption of certain most important product:

	Unit	Per capita consumption		
		1939	1956	1960
Cereals in flour	Kilogram	175,1	182,9	184,0
Of which:				
Wheat and rye	Kilogram	103,3	123,0	145,0
Sugar	Kilogram	5,2	11,3	15,0
Fats	Kilogram	6,9	9,6	11,2
Meat and fish	Kilogram	23,4	25,9	29,0
Caloric value of nutrition	Calorie	2.645	2.790	3.030
Textiles, total	Kilogram	3,47	3.15	4,74
Footwear, total	Pair	0,80	1,22	1,69
Soap and detergents	Kilogram	1,29	1,38	2,80
Coal	Ton	0,04	0,17	0,22
Fuelwood	Stère	1,40	0,55	0,36
Electricity	kwh	5,14	36,14	74,46
Blown glass	Kilogram	0,40	0,61	1,34
Stoves and ranges	Kilogram	0,19	0,93	1,31
Furniture, house and other[6]	Suite	4,50	7,55	17,00
Electrical household appliances	Kilogram	0,0	0,18	0,58

Beside the increased consumption of industrial products, with special accent on durable consumer goods, a growing interest began to be assumed by the promotion of services, the achievement of a regular supply in the retail trade, improved catering to the cultural requirements of the population, the promotion of networks of communal services, and so on — in a word, the qualitative changes in the structure of personal consumption of the population reflecting a higher standard of living have increasingly demanded a corresponding level in the social and communal services.

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[6] Per 1000 inhabitants.

A rise in the social services has been an accompanying feature of this large growth in the personal consumption of the population. Thanks to the very high investments made, here, too, essential changes have taken place. The basic point here is that the volume of housing construction recorded in recent years has helped to overcome the lag in the housing conditions. At the rate of about 70,000 dwelling units erected in 1960, more new units are being erected in Yugoslavia today than the actual population increase of the country which reveals that the housing conditions are beginning to improve. This is not yet true for each region and for every social group in the country. Unquestionably in some towns and industrial communities where there is stil a large population influx the growth in housing has not yet mached the population increase. The recent housing reform which introduced economically sound relations in the use of dwelling houses and the financing of housing developments is already having a favourable effect on the promotion of, and the relations in, the housing economy and on the housing standards in general. The improved living conditions of the population are manifest in other sectors of the social services as well. Thanks to the greatly stepped-up investments over the last two years, there has been an improvement in the material conditions and equipment of schools, notwithstanding the very large increase in the number of pupils and students. Likewise improvements have been recorded in the network of hospitals, health institutions, and so on.

In general, it may be concluded that a qualitative change has occured in the income distribution over the last period, relative to previous years, in that this sector has experienced a more considerable improvement which has largely offset the lag that had existed in the initial years of our efforts to evercome the economic backwardness of the country.

14. Despite the perceptible growth of personal consumption and the social services, the intensity of investments in the economy and, therefore, the creating of conditions for the further rapid economic development, goes on undiminished. In the first period of postwar reconstruction (1948—52) an average 270,500 million dinars (calculated at 1956 prices) were invested annually in the

basic assets of the economy, the sum representing 21.6 percent of the gross national product of the country. In the second period (1953—56) the annual average investment rose to 314,800 million dinars, or 20.9 percent of the national product. During the last four years an average 428,300 million dinars, or 20.4 percent of the national product, has been annually invested in the basic assets of the economy. Combined with the investments made in the basic assets, the aggregate invesments in the socialist sector of the economy have represented 25.6 percent in the first period, 27.5 percent in the second period, and 28.0 percent in the third period, all in proportion to the gross national product of the economy. This indicates that in recent years there has been no diminution in the intensity of investments, that this activity has moreover increased somewhat, and that the possibilities for making investment have grown considerably.

The intensive investment in the economy in the first years represented an extraordinary effort which was realized at the cost of the lag in personal consumption and a slower promotion of the social services. In recent years, thanks to the appreciably enhanced possibilities the intensive development of the economy has been accompanied by a rise in personal consumption of the population and the promotion of the social services, the whole marked by a simultaneous relative decrease in the utilization of supplementary resources from abroad. All this indicates that the possibilities have undergone an essential change, that the level of economic development has reached the phase where, upon consistently socialist principles, the material, cultural and other living conditions of the people can constantly be improved with the growth of the productive forces.

15. The considerable increase in the productive forces and the possibilities of balanced development of all sectors of the economy and society have provided in recent years more and more advantageous conditions for the further perfection of the system of workers' and social self-government. The resources which are managed in the system of income distribution by the bodies of workers management in enterprises and the bodies of management of social services in the communes and districts have registered a considerable increase.

The income distribution system was being perfected all the time. Income distribution between the Federation and the other organs has been developed toward the further decentralizing of the resources. From 1957 to 1960 the resources of the Federation have grown by 66.7 percent and those of the other organs by 79.8 percent. In this the resources of economic organizations rose by 109.6 percent.

Distribution of the resources between the political-territorial units has been modified in the direction of a larger independence of the communes and encouraging a more rational spending of the resources for financing the social services and public expenditure. Expansion of the economic foundations of self-government was intensified especially in 1960, upon the coming into force of the new Law on Budgets. The budgetary resources of the communes and the people's republics rose in 1959 by 14.5 percent over 1958, to reach the rate of over 20 percent in 1960.

The process of perfecting the system of income distribution was effected also in the relations between the local community and the working collectives, as well as in the internal income distribution system of the economic organization. The firmer pegging of the fund of personal earnings on the total receipts realized by the economic organization, as well as basing the remuneration of the members of the working collectives on their output, has promoted the initiative of the working collectives and their increased interest in the production results. Through the action of the income distribution system, under the conditions of intensive investment making and the growing technical working equipment, there has been achieved a significant increase in productivity of labour. This development has expanded the economic basis of self-government, and also a simultaneous and considerable increase in the real purchasing power of the workers.

With the object of attaining more balanced relationships between individual sectors of production the disparities between the prices of agricultural products and transport services and the prices of manufactured goods have been mitigated in some measure. Besides, many individual instruments of economic regulation have been modified in the direction of affording greater possibilities for independent development of individual sectors of the economy and improvements in the economic system at large.

All this, coupled with large successes in promoting and extending socialist relations in agriculture, has signified a more and more consistent growth of the socialist society in Yugoslavia.

16. The development of the economy during the last four years, although more balanced and more comprehensive than before, has revealed a series of problems which must be dealt with in the coming period.

First of all, not even with the large growth of the economy during the last years have all the difficulties or problems springing from the insufficient economic development of the country been overcome or solved. Technical equipment is still poor especially in some branches of industry — in construction, forestry, commerce — while the production equipment in many plants is obsolete or worn out. This deficiency today forms a serious handicap in raising productivity successfully and acts as an obstacle to the further rapid development of the productive forces and an improvement of the living conditions of the population. As a result, to some extent more than before, today there is a need to reconstruct and modernize many old plants in industry, railway transport, and so on, as well as for a more radical mechanization of building construction, modern technical equipment in trade, notably with agricultural products.

Notwithstanding the larger results marked in recent years in raising agricultural production major problems have appeared in the promotion of this economic domain, namely the unfavourable economic position of agriculture and its uncoordinated development with other activities. The relatively high production costs and the low accumulating became under the given price conditions and ratios an obstacle to the necessary volume and rate of enlarged production in agriculture, while the uncoordinated growth of the processing and storage facilities for agricultural products, the insufficient development of large socialist holdings and agricultural coperatives, the inadequate trading organization, the transport problems, and the like, appear as obstacles to the more rapid development of this economic domain.

Besides that, the development of the economy during the last four years has not been fully proportionate. Whereas in the preceding period there appeared as the basic disproportion a lagging-behind of personal consumption and inadequate investments in social services, and lagging-behind in production of consumer goods, in the last years serious shortcomings and lags began to be felt in some basic production branches of crucial moment to continued efficient and rapid development. Shortages of steel basic chemical products, building materials, including cement, introduce market instability, retard growth and have an adverse affect on the payments balance.

In the matter of adequate and balanced regional development, even the last four years did not produce decisive results in overcoming the lagging-behing of undeveloped areas and eliminating the large differences in economic development between individual areas of the country. The large differences existing today still demand the special attention of the whole community.

In the income distribution system and the complex of instruments and institutions for the planned regulation of the economy there has appeared, in spite of the improvements marked during the last four years, a series of weaknesses and inconsistencies with an adverse effect on the efficient develompent of the productive forces and socialist production relationships.

The income distribution system of economic organizations still does not provide adequate stimulation for more rational spending of social resources, the reduction of material outlays and an increase of productivity. This system, together with the price ratios, promotes large disparities in the economy and the disposition of resources between individual enterprises, branches and territorial areas, which adds to the unequal conditions for their development.

All this is made even more difficult by the credit and banking system, which has not yet been sufficiently adjusted for efficient direction of the resources; by the many unsolved problems for free economic association and cooperation between economic organizations; by the existence of continued government intervention in the sector of foreign trade and the foreign-exchange system by the still frequent single interventions in regulating prices and a series of other interventions which do not correspond today to the basic institutions of the production relations in our country.

PART ONE

Chapter I

ECONOMIC-POLITICAL AIMS

1. Starting from the achived level of development, the above described qualitative changes and the particular structural problems which have appeared in the economy, as well as from the fact that workers' and social self-government has become a significant motive force of the over-all economic development, the following economic-political aims tasks are set for the period from 1961 to 1965:

a) To safeguard the further rapid and steady developmet of the productive forces, in which it is necessary specially to speed the development of those economic domains and branches which have a decisive importance for the coordinated movement of the economy in this and the coming periods of development. With this object, it will be particularly necessary to speed the production of basic raw materials, semi-manufactures and power, to expand and advance the production of capital goods. To be able to fulfil the tasks in the fields or building construction and the building materials industry there should be undertaken a more intensive technical reconstruction of the building construction and the building materials industry while continuing to promote a quickened growth of the consumer goods industry. The furthering of agricultural production should be carried on in accordance with the requirements of the internal market and the export possibilities, and the promotion of the manufacturing industries, transport and trade in agricultural products should be coordinated with the expansion of agricultural production. We should also continue to promote the transport facilities and utilize them more economically in accordance with the increased production and traffic. A coordinated movement of the economy and the further raising of the living standards of the population demands the wider promotion of all service activities.

Rapid economic development shall be based on a policy of continued intensive investment in the economy, with the provision that a correct distribution of investment between the domains and branches of production should insure the envisaged optimum and coordinated development of the whole economy. In future development great attention shall be paid to rational investment of the resources into enlarged production capacities so that the investments may yield the most advantageous results in the growth of production and national income. In this connection, there should be extended even more the action of all those social and material factors which have considerably improved the degree of efficiency of investments in recent years.

The basis of speedier promotion of the productive forces shall be a far higher growth of productivity of labour in all domains of the economy. As distinct from earlier periods, productivity shall become, relative to new employment, the dominant factor of the growth of production and national income, which should represent one of the essential characteristics of the next planning period. A higher rise of productivity shall be based on the progressiveness of our social and economic systems, a modern production organization and a more intensive application of scientific and technical developments in production. New techniques should be widely employed, in the capacity of the most signal material factor of economic advance, in different domains of production. Rational utilization of modern technology will require a more appreciable improvement of labour skills and the training of highly-skilled personnel capable of mastering and applying new techniques. In this connection, it will be particularly necessary to encourage and foster scientific-research work in all branches of the economy and devote great attention to the role of scientific-research institutions and the various services for the promotion of production with a view to laying still-broader foundations for the creation and development of domestic techniques.

b) Parallel with the promotion of production, personal consumption should be increased as the basic aim of development, the indispensable factor of material stimulation and the condition for a harmonious movement of production. Real consumption of employed persons should consistently follow the total growth of productivity and progress in accordance with this growth. Real earnings of the workers in economic organizations should develop in accordance with the movement of productivity and the aggregate results of economic activity. Coincidently with the increase in the personal income of the population the present composition of consumption shall be modified toward an ever-larger participation of those products and services which are a distinguishing feature of a higher level and a more diversified structure of consumption. Thus the consumption of the population will form an important element in the expansion of the internal market and a necessary inducement for the development of many manufacturing activities concerned with the production of consumer goods. The advance of personal consumption shall be assisted by the promotion of trade, tourism and public restaurants.

In the coming period a far fuller development of all activities making the domain of the social services should be insured with a view to serving the various requirements of the economy and society in a better and more direct way. In harmony with this there shall be extended the construction of housing, the erection of schools and health institutions, as well as of other social service institutions, which will lead to an additional improvement of the material and other conditions of their operation. This more comprehensive development of all the social services and their multifarious effect on production will represent a specific feature of the coming period.

The basic framework within which personal consumption and social services should be moving shall be measured in such a way as to enable the human factor to manifest itself to the fullest, since the general efficency of economic development is contingent upon the living and working conditions of people, their working habits, degree of skills and education.

c) Future development of the economy should lead to an even more comprehensive promotion and strengthening of our economic relations with foreign countries, a further geographic expansion of our foreign trade and the fostering of other forms of economic cooperation, such as investment arrangements with individual countries, producing cooperation, scientific-technical cooperation and the like. The high production increase should lead to overcoming the adverse payments balance in current transactions with countries abroad, so that our economic development may rely upon its own resources in an even greater measure. The most important task in this direction shall be to realize gradualy a volume of exports sufficient to satisfy the current import requirements of the economy. This will require exports to grow at a somewhat quicker rate than the national product. Among other considerations, this result should be achieved by developing more intensively those branches and domains whose production costs, volume, structure and quality can insure an adequate expansion of exports and generally a more favourable position of the country in international trade. By means of modifications in the foreign-exchange system, foreign trade shall be influenced to become more rational and more profitable through gradual liberalizing of imports and a more extensive release of the initiative of economic organizations in foreign-trade operations.

d) In accordance with the improved possibilities of the economy, special attention should be paid to stepping up the development of the country's undeveloped areas. The stepped-up development of these areas demands a more rapid development than that from the preceding period and relative to the rest of the country. Thus there should gradually be minimized the inherited regional differences in economic development, which fact should lead to improved internal integration of the economy. The promotion of industry in undeveloped areas shall be the fundamental method of achieving the desired pace of development and the quickest alteration of the backward economic structure. To this task there should also be adjusted the indispensable system of measures designed to enable and facilitate its practical implementation.

e) Toward the end of the coming five-year period Yugoslavia should have reached such a degree of economic development as to leave completely behind the status of an insuficiently developed country, so that, by the basic economic indices, she should represent a medium-developed industrial country. Simultaneously this period should be marked by preponderance of socialist form of production in agriculture, in which production organized on socialist foundations will become the dominant and decisive factor.

f) By its whole action, economic development shall insure the strengthening of socialist social relations and socialist forms of economic activity, the promotion of workers' management in economic organizations and self-government in the communes and districts. To this end it will be necessary to continue perfecting and developing the whole mechanism of the economic system, and particularly the system of income distribution between the social community and the enterprises, as well as the distribution of the net receipts and the personal earnings in the working collectives, which should give rise to even greater stimulation for the initiative of economic organizations and the communes, accompanied by a simultaneous economically efficient planned management of economic development. Other domains of the economic system, such as those of prices, the foreign-exchange system, financing and directing of investments, as well as the credit system as a whole should be improved with special attention to the economics of all domains and branches of the economy.

PART TWO

THE BASIC LINES OF ECONOMIC DEVELOPMENT

Chapter II

GROSS NATIONAL PRODUCT AND NATIONAL INCOME

I. Production

1. In view of the prevailing material and social conditions of production and the basic economic-political aims and tasks, the following increase of the gross national product and national income is foreseen for the period from 1961 to 1965 (in thousand million dinars)[7]

	1960	1965	Index 1965/60	Annual average increase rate 1961-65, %
National product	2.782,0	4.778,0	172	11,4
National income	2.574,0	4.390,0	171	11,3

2. Per capita national income is expected to rise at the annual average rate of about 10 percent, considering that the population is estimated to increase from the 18,667,000 in 1960 to 19,821,000 in 1965, which gives an annual rate of 1.2 percent. In absolute figures, per capita national income should grow during the coming five years from the 137,896 million dinars to 221,926 million dinars.

3. A rapid production increase in the socialist sector of the economy shall be realized. The output of socialist economic organizations will increase by 88.5 percent from 1961 to 1965, which is an annual average increase of 13.5 percent Thus the contribution of the socialist sector of the economy to the national product will rise from the 76 percent in 1960 to 84 percent in 1965.

4. For purposes of safeguarding the foreseen increase of the gross national product and national income, as well as a production

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[7] All values in this Plan are stated in 1959 prices. The figures for 1960 represent estimates.

structure which is indispensable for the fulfilment of the established economic-political aims and tasks, it is necessary to achieve the national product increase by individual domains of the economy in the following approximate relations (in thousand million dinars):

	1960	1965	Index 1965/60	Annual average increase rate 1961-65
Total economy	2.782,0	4.778,0	172	11,4
Industry	1.212,0	2.230,0	184	13,0
Agriculture[8]	664,0	940,0	142	7,2
Forestry	46,0	64,0	138	6,7
Construction	152,5	285,0	187	13,3
Transport	217,0	385,0	177	12,1
Trade, catering and tourist industry	350,5	624,0	178	12,2
Handicrafts	140,0	250,0	179	12,3

5. The coming five-year period should lead to the formation of an improved production structure wherein industry, as the leading domain of the economy, and other non-agricultural activities should assume an even greater relative significance in the total production of the country (expressed in current prices):

	1960	1965
Total economy	100,0	100,0
Industry	43,5	46,8
Agriculture	23,9	19,7
Forestry	1,7	1,3
Construction	5,5	6,0
Transport	7,8	7,8
Trade and catering	12,6	13,1
Handicrafts	5,0	5,3
Other non-agricultural activities together	76	80

6. In realizing the foreseen dynamism of production it is necessary to achieve a much faster output increase of the means of production, notably capital goods. This orientation in production is dictated by the need to avoid more marked disproportions between the basic sections of production, to create real assets and funds for planned development of capital investment projects and insure the fulfilment of the principal aims in the sphere of foreign trade and the payments balance.

7. On the basis of the above development rates, in the coming period, too, the economy will maintain the high upward movement which was achieved in the recent years. As a result, during the 13-year period 1953-65 industrial production will have averaged an uninterrupted increase of 13.4 percent, agricultural production of 7.0 percent, and national income of 10.9 percent annually. By 1965, this economic growth should raise Yugoslavia to the level of the medium-developed countries of today.[8]

II. Income distribution

1. In accordance with the demands resulting from the foreseen pace of economic development, the strengthening of the material basis of workers management and social self-goverment, the advancement of personal consumption and the social services, as well as the balancing of current exchanges with abroad, it is necessary to attain the following relations and the following increases in the different spheres of consumption inside the basic distribution of the national product and the total available resources (in thousand million dinars):

	1960	Structure, %	1965	Structure, %	Index 1965/60	Annual average increase rate 1961-65
National product	2.782,0	96,8	4.778,0	101,9	172	11,4
Total available resources	2.874,6	100,0	4.690,0	100,0	163	10,3
Of which:						
Investments in economy, including reserves	868,2	30,2	1.585,0	33,9	183	12,8
Personal consumption	1.336,5	46,5	2.036,0	43,5	152	8,8
Social services [9]	298,7	10,4	548,0	11,7	184	12,9
Government organs and national defence[9]	258,8	9,0	363,0	7,7	140	7,0
Personal consumption and social services together	1.635,2	56,9	2.584,0	55,2	158	9,6

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[8] The two-year average 1959-60 is given for agricultural production in 1960.

[9] Operating expenditures plus investments.

2. In the coming period the following points are to be characteristic for the basic distribution of the national product and the total available resources:

a) The total available resources for internal consumption are rising slower than the national product. The difference between the national product and the total available resources should serve to balance foreign trade exchanges, to level the differences between the external and internal prices, as well as the other aims of the payments balance;

b) The growth of economic investments in the national product will mainly be realized at the expense of a relative decrease of the expenditure of the government organs and national defence. These outlays should grow at a proportionately slower rate than those of the national product and the total available resources;

c) Given the high increase of personal consumption, the investment the social services will advance at the relatively more rate which will exceed the rate of investments in the economy. This dynamism of the social services is necessary both from the point of view of economic development and that of promoting the living and cultural conditions of the population. Combined with the operating expenditures and investments in social services, personal consumption will have an increase rate equalling, in the main, that of the total available resourcses.

3. The above proportions in the basic income distribution should enable both the material factors represented in the investment rate and the personal factors of people, whose living and working conditions are furthered parallel with the development of the material productive forces, to come fully to the forefront. Consequently the established income distribution relations in distribution are designed to enable a unified action of the basic factors of development towards the more rapid growth of the total national production.

4. Since production organized on socialist foundations will have a higher rate of growth than the total economy, this development is going to influence the dynamics and relations in the distribution of the resources of the economy. From this there will necessarily arise larger possibilities for the satisfaction of and growth of consumption which is met from the distribution of resources of the socialist sector of production. The socialist sector of the economy should realize the following relations and the following dynamism of growth of individual types of consumption (in thousand million dinars):

	1960	Structure, %	1965	Structure, %	Index 1965/60	Annual average increase rate 1961-65,
National product of the socialist sector	2.134,0	91,4	4.016,0	98,7	188	13,5
Total available resources of the socialist sector	2.335,0	100	4.067,0	100	174	11,7
Of which:						
Investments in the economy	799,0	34,2	1.493,0	36,7	187	13,3
a) In basic assets	599,0	25,6	1.071,0	26,3	179	12,3
b) In working capital and reserves	200,0	8,6	422,0	10,4	211	16,1
Personal consumption	890,2	38,1	1.528,0	37,7	172	11,4
Social services[10]	264,	11,3	483,0	11,9	183	12,8
Government organs and national defence[10]	258,8	11,1	363,0	8,9	140	7,0
Personal consumption and social services together	1.154,6	49,4	2.011,0	49,6	174	11,7

5. The proportions in the basic income distribution of the national product will afford a broad material basis for the development of workers management and social self-government. Economic organizations, the communes, districts and the people's republics will dispose of significant resources for investment and social services. With the improvement of the economic instruments — notably with the improvement of the economics of individual economic domains and branches and with the advancement of the credit system and the system of associations in the economy, whereby greater mobility of the resources is to be realized for purposes of development — it is necessary to tend toward the further decentralization and easing of the measures affecting the direct distribution of the formed income from the centre.

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[10] Operating expenses plus investments.

6. Through the distribution of the national income, the credit policy, the creation and utilization of economic reserves and other measures it will be necessary to insure the stability of economic movements on the market and influence the formation of purchasing funds in volume adequate to equall the total goods production. In accordance with this, the distribution of the resources should be guided, by the current annual plans and their measures, toward the proportions given in the present Plan.

Chapter III

INVESTMENTS

1. The basic task of the investment policy shall be to achieve, trough the medium of investments, the quickest growth of production and insure the conditions for coordinated and sustained development of the economy over a longer period of time. With this aim, provision is made for total investments in basic and working funds amounting to about 8,015,000 million dinars for the whole five-year period, or averaging about 1,600,000 million dinars annually, with the following basic allocation of these resources (in thousand million dinars):

	1960	Structure	1965	Structure	1965/60 Index	Annual average increase rate 1961-65
Total investments	1.107,5	100,0	2.017,0	100,0	182	12,7
Of which:						
Investments in the economy including reserves	868,2	78,4	1.585,0	78,6	183	12,8
Non-economy investments	239,3	21,6	432,0	21,4	181	12,6
a) Investments in the social services	209,3	18,9	390,0	19,3	186	13,2
b) Other non-economy investments	30,0	2,7	42,0	2,1	140	7,2

2. The volume of non-economy investments, especially those in the social services, is aimed at insuring a rapid development of the social services in accordance with the growing requirements of the economy. The foreseen investments make it possible to improve the

quality of housing and increase the per capita dwelling area, enlarge the school space per pupil despite the greatly increasing enrolment, effect more significant increases in the capacity of health institutions, as well as in the communal service funds in the towns and industrial centres.

3. Investments in the economy (investments in basic and working funds together) will total about 32.5 percent of the national product, which compares with the 30.7 percent in the preceding four-year period. The increased proportion of investments in the national product is conditioned by the general tempo of economic development which is foreseen for the coming years, by the need to create adequate stocks of raw materials and working capital generally, then by the need to effect a quickened enlargement of specific basic branches of industry, carry on an intensive advancement of agriculture and safeguard, through an appropriate increase of power and transport, the conditions for a rapid ascendant of the economy even after 1965. In the period ahead it will also be incumbent to invest proportionately larger resources in a more fundamental reconstruction of the building construction industry and modernization of commerce and lay down a broader material foundation for the development of forestry.

4. As a result of future economic development, a decrease will occur in the supplementary foreign resources in the total resources for enlarged production capacities.

The extent of investments in basic and working capital funds accords with the material possibilities of the country, so that the economy will be capable of coping rationally with the foreseen volume of investments. Taking account of this, it is planned that the following investments need be made, within the total economy investments, in basic and working capital funds (in thousand million dinars):

	1960	1965	Index 1965/60	Annual average increase rate 1961-65
Total (gross) economy investments, incl. reserves	868,2	1.585,0	183	12,8
Of which:				
a) Investments in basic capital funds	638,9	1.116,0	175	11,8
b) Investments in working capital funds and reserves	229,3	469,0	205	15,4

5. Investments in working capital funds will show a quicker growth than the national product, which should enable a more abundant supply of production materials and a larger and steadier creation of material reserves in the economy. This more abundant investing in working capital funds is dictated by the high increase of production and its unhinderer development.

6. Within the framework of investments in basic capital funds, the assets of amortization funds are expected to rise by about 26 percent in 1965 over 1960, it is also estimated that spending on amortization will increase by about 80 percent during the next five years. The increased spending on amortization should rely on the further liberalization of spending, namely, on ending the restraints still left in this field.

7. Distribution of investments among basic economic domains should be established in such a way that the proportionate development of the economy and the basic sections of production may be achieved through the investments planned for. Consequently through investment making there shall specially be encouraged a quicker development of the production whose lagging-behind can create more lasting economic disproportions and retard the general rate of economic growth. In this context, it is necessary to increase considerably the investments in industry as a whole, and particularly in some of its key branches, then in building construction and the production of building materials, as well as toward improving the material conditions for the development of retail trade and improved supply of the population. Through intensified investment in forestry there shall be instituted a new cycle of development in this branch of the economy. As regards investments in agriculture, which shall be high in the coming years also, it is indispensable to ensure that the investments coincide with investments in other activities upon which the successful realization of agricultural production, increasingly depends. To insure such a development investments in the basic funds of the national economy should be allocated in the following way to the basic domains of the economy (in thousand million dinars):

	1960	Structure %	1965	Structure %	Index 1965/60	Annual average increase rate 1961-65
Manufacturing mining and quarrying	269,0	44,9	514,0	48,0	191	13,8
Agriculture	103,5	17,2	161,0	15,0	156	9,3
Forestry	10,0	1,7	19,0	1,8	190	13,7
Construction	18,0	3,0	50,0	4,7	278	22,7
Transport	145,0	24,2	233,0	21,7	161	10,0
Trade, catering and tourist industry	43,0	7,2	77,0	7,2	179	12,3
Handicrafts	11,0	1,8	17,0	1,6	155	9,2
Total:	599,0	100,0	1.071,0	100,0	179	12,3

8. In the first years of the coming period there should be achieved a quicker increase of investments in power production, the production of raw materials and semi-manufactures, toward enlargement of the carrying capacity of railways, in the mechanization and modernization of building construction, as well as in industrial production for the requirements of construction, so as to create the conditions for smooth development of production and a successful carrying out of capital construction projects in general, and particularly of housing projects.

9. Certain considerations directly connected with the future structure of investments, such as increased investments in basic industrial branches, the large construction programme of modern lines of communication, the technical reconstruction of agriculture and the construction industry as well as certain longer-term investments will tend to increase the intensity of capital investments and temporarily minimize the degree of their efficiency. In order to reduce the short-term effect of these factors to a minimum it will be specially necessary to expedite the terms of activating the investments, to make better and more rational use of the existing and the new production funds, to realize, wherever economically warranted, by means of reconstructions and enlargements of the existing plants, direct increases of production and generally, with adequate measures, stimulate a more rapid and more economical carrying out of capital projects. Action should be developed in the same direction by establishing designing institutions, especially for technological designing, as well as by issuing the necessary regulations relating to designing and the carrying out

of investments, the standardization of the building elements and the like.

10. In the coming period investments in industry will serve, in the first place, a more intensive promotion of those types of production which have the most favourable natural and other conditions for development. In this special emphasis should be laid on the branches constituting a modern and long-term basis of industrial and general economic progress. Therefore, the main effort of future investments should bear on the power industry, ferrous and non-ferrous metallurgy, chemical manufacturing, the production of capital goods including of electronics and automation elements; on investments in production founded on intensified utilization of the raw materials basis in agriculture and forestry (food processing and mechanical and chemical conversion of wood); on investments in the production of building materials and "non-metals", as well as on investments in the promotion of the industries concerned with the manufacture of consumer goods, particularly durable consumer goods.

The investments scheduled for agriculture actually represent a continuation of the instituted process of modernization and rapid promotion of agricultural production. The efforts of the investment policy, especially in the socialist sector, shall concentrate on the production branches and products whose consumption will grow the most on the domestic and foreign market. For these reasons investments will primarily be made toward a more vigorous development of stock breeding and raw materials rendering this development possible.

In forestry, the largest part of the investment funds should be employed for the construction of forest communications and the introduction of plantation-type forests and other forms of intensive silviculture.

The resources scheduled for investment in building construction, which are to mark the highest dynamism of increase in the coming period, shall be utilized for purchases of mechanized equipment and more up-to date equipment in general so that this activity may be raised to a higher technical level as soon as possible, thereby insuring a quicker, cheaper and more efficient execution of building projects.

Investments in transport should be directed toward raising the carrying and passage capacity, improving the speed and regularity of transport, connecting more efficiently the different regions of the country into an integrated system of internal communication lines, as well as improving the transport conditions for transit and foreign-trade purposes. With this object, provision is made for fresh building, reconstructions, enlargements and modernization of the transport network (railways, roads seaports, river ports and the postal, telegraph and telephone services) on a considerably larger scale than in the past period. The more intensive expansion of the rolling stock and tonnage and the use of other modern equipment, together with the reconstruction and development of the network, should enable all transport branches and postal communication.

The increased investments in trade and catering will serve the promotion of the commercial network and the introduction of higher standards in the organization and equipment of trade, the erection of market-places and storerooms, a more considerable increase of the capacity of the catering industry concerned with tourism, and the advancement of the tourist industry in general, in relation both to domestic and foreign visitors.

11. The investments foreseen for the promotion of productive forces should specially help to extend our exports and resolve the tasks established in the sphere of the payments balance and a more comprehensive promotion of economic relations with foreign countries.

12. In realizing the volume and basic structure of investments the activity of the General Investment Fund should in the coming period be limited to those areas and functions which are of essential moment to general economic development and where financing from the public sources is indispensable. On this basis, intervention of the General Investment Fund should encompass the following three basic functions: a) investment in basic production; b) assisting development of the undeveloped areas of the country; and c) intervention in those cases where it is necessary to eliminate the disproportions or to stimulate, by special social intervention, a quickened technical reconstruction of particular branches of economy toward a fuller and more harmonious development of the economy. These tasks of the General Investment Fund demands that it should be relieved of certain functions and finance others on a considerably reduced scale than heretofore.

Chapter IV

PERSONAL CONSUMPTION AND THE SOCIAL SERVICES

I. *Personal Consumption*

1. In accordance with the foreseen increase rate of the national product and national income, during the period from 1961 to 1965 the real volume of personal consumption should grow by 8.8 percent, or 7.5 percent per inhabitant, annually. This should enable a harmonious and steady increase of personal consumption as the essential element enlarged national production.

As a result, also in the period from 1961 to 1965 the standard of living should continue to rise at the intensive rate which has been a characteristic of the past eight years. In 1965 the level of personal consumption will exceed that from 1952 by about 166 percent meaning that the high rate of growth of personal consumption of 7.8 percent annually will have been realized over a 13-year period. This development of personal consumption indicates that it is moving forward harmoniously and paralled with the other basic components of the economy and this development has become a lasting and legitimate phenomenon of our socialist society. At the end of the coming period real consumption of the Yugoslav population should approach the level which has been reached today by medium industrially developed countries.

2. Real earnings of those employed in the economy shall be increased in accordance with the over-all growth of productivity. Thus personal consumption shall be made functionally dependent upon the movement of productivity, measured by social services. Accordingly, it is expected that the average earnings of those employed in economic organizations will rise during the next five years by 38.6 percent, averaging 6.7 percent annually. The salaries of those employed in State organizations and public services shall be increased and coordinated relative to such a movement of real individual earnings in the economy. The planned increase of real individual earnings affords the necessary framework for continued improvement of the system of remuneration according to performance, not only in economic organizations, but in State organs and public services.

3. Expenditure in the sphere of social insurance is to raise by about 60 percent, averaging a 9.9 percent annually. This will ensure an increase of the resources in accordance with the requirements which will arise from the increased numbers of employed persons, children and retired individuals. The retirement pension and disablement benefits are to be coordinated with the movement of individual earnings in the economy, the State organs and public services. Provision are made for a 67 percent increase, or 10.8 percent annually, in the outlays of social insurance, which affords more advantageous conditions for extension of health services.

The further development of social and health insurance should be favourably influenced by the modifications in the organization and system of financing. These modifications, combined with social management in this sphere, shall afford better conditions to the citizens in utilizing their social insurance rights and assure the spending of the resources more rational.

4. The personal income of individual agricultural producers should be increased contingent upon the way in which their production and supplies for the market will grow. In this sphere it is expected that the general results of the cooperation between the individual

producers and the socialist economic organizations will lead to a more rapid increase of their personal income. It is estimated that the real personal income per member of agricultural households, in the private sector, will rise by about 28.0 percent during five years, or 5.1 percent annually on an average.

5. The above proportions in the growth of personal consumption for the various categories of the population will require to be maintained through appropriate government measures. To this end, adequate measures will be provided by annual plans for maintaining the relations in the development of personal consumption as correctly as possible.

6. The structure of consumption will be caused to change with the growth of personal consumption and the differentials in personal income that will arise owing to a more consistent application of remuneration according to performance. It is expected that food consumption will average an annual increase of about 6 to 6.5 percent, and the consumption of manufactured consumer goods 11 to 11.5 percent. As a result, in the structure of personal consumption a reduction will occur in the relative spending for food and an increase in the purchases of manufactures and services. Spending on cultural requirements will mark a significant rise in the structure of personal consumption. In the same structure there should particularly be increased the purchasing of durable consumer goods. It is estimated that during the next five years the consumption of textiles will grow by about 50 percent, of footwear by about 35 percent, of electricity by about 90 percent, and the value of the stocks of durable consumer goods by about 180 percent, all per capita. More perceptible changes are also expected in nutrition, in the sense of its improved quality and assortment. The per capita consumption of the more important products is planned as follows for 1965:

	1960	1965	Index 1965/60
Nutrition			
Cereal flour, kilograms	184,0	161,5	87,7
Of which:			
Wheat and rye, kilograms	145,0	138,7	95,6
Sugar, kilograms	15,0	26,0	173,3
Fats, kilograms	11,2	13,5	120,5
Meat and fish, kilograms	29,0	41,5	141,3
Calorific value of nutrition, per day	3030,0	3040	—
Proportion of calories of animal origin, percentages	23,8	31,8	133,4

	1960	1965	Index 1965/60
Manufactured goods			
Textiles, kilograms	4,74	7,17	155,3
Footwear, pairs	1,69	2,27	134,3
Electric power in the household, kwh	74,46	143,79	193,1
Electrical household appliances, kilograms	0,58	1,79	308,6
House furniture, sets per 1000 inhabitants	17,0	31,83	187,2
Amount of durable consumer goods (per 1000 inhabitants)			
Automobiles, number	3,2	8,1	253,1
Motorcycles and motor scooters, number	7,7	33,3	432,1
Radio receiving sets, number	85,7	169,5	197,8
TV sets, number	1,7	17,2	1011,8
Refrigerators, number	5,3	39,4	743,4
Electric ranges, number	10,6	36,1	340,6

7. Increased personal income shall be insured by appropriate distribution of the national product, in which personal earnings in the socialist sector of the economy should rise at the same rate as the production in the socialist sector.

By directing production, investments, exports and imports and the use of other measures the growth of the comodity funds will be assured to satisfy the movement of personal income. A steadier development of personal consumption will demand increased stocks of consumer goods and more rapid expansion of retail trade, catering and other service activities whose lagging-behind has influenced an increase in the cost of living.

II. The Social Services

1. In the coming period it is necessary to expand the economic foundations of development of all social service activities. It is therefore necessary to achieve an increase of schools space per pupil, expansion of the health facilities per inhabitant, and the increased, per capita capacity of all social services. Increased resources must be made available for operating expenses and for speeding the employment of

trained personnel into these services. Provision were made that the total resources for these purposes be raised by 83 percent during the five years, which gives an annual average increase of 12.9 percent. About 1,290,000 million dinars of government funds, or an average of about 258,000 millions annually, is to be invested in the erection of housing, schools, health, social and other institutions, and this is 85 percent above the average investments made during the period from 1957 to 1960.

2. During the course of the next five years at least 500,000 dwelling units, should be built, including about 350,000 in the towns and industrial communities. The amount of about 1,100,000 million dinars, or an average 220,000 millions annually, will be spent in housing developments. During the whole five-year period the comunity investments alone in housing projects should reach about 734,000 million dinars. The new dwelling area to be obtained under these projects will account for about 30 percent of the total housing today of urban and industrial communities. The planned construction of housing will constitute an improvement of the living standards of the population and an increase of the per capita dwelling area, especially in towns and industrial communities.

Construction of housing developments should be made to proceed at a more rapid rate and in a more rational way through the consistent application of the principles of the new financing system of housing projects. In this respect, the personal resources of the citizens should also be engaged to the maximum, over and above the housing construction funds and other community sources. With the aid of direct activating of future occupants of the dwellings and the whole housing construction policy, it is necessary to insure the erection of dwelling units meeting the needs and possibilities of the citizens in the matter of size, equipment and location. All the groups participating in the erection of housing, and particularly the customers, the architects, the building enterprises and the manufacturers of building materials and equipment should cooperate in order to introduce rational and efficient methods in the erection of dwellings.

3. With the object of a planned development of towns and smaller communities and coordination of the communal services with the development of the economy and housing construction, it will be necessary to speed the promotion of communal services in the coming period. For this purpose, some 195,000 million dinars will be invested over the next five years. In the communal services, wherever feasible, prices of services based on costs should gradually be introduced, the organizations renndering these services should operate on principles of self-financing, and on this basis there should be established economic

relations between the communal service organizations, the consumers and the People's Committees. It is also necessary to consolidate workers' management in the communal service organizations and promote a sound financing system in this sphere. With the aid of general programmes of housing communal and other projects a rational and planned construction and reconstruction of communities, and especially a rational utilization of urban plots and communal installations.

4. In other to expedite the schooling and professional training of personnel, who are assuming an increasingly decisive role in the economic and social development of the country, in the coming period schools and institutions for the education should be expanded. Erection of schools should serve to insure replacement of obsolete school buildings, the ending of the third and fourth turns in the class rooms and an increase of school space in accordance with the growth of the pupil and student enrolment. Parallel with this, it will be necessary to improve and stabilize the material position of schools and other educational and training institutions.

In accordance with these tasks, it is expected that during the next five years the total available school space will increase by over 50 percent. The total investment in the erection of schools should amount to about 200,000 million dinars, during this period, or an average 40,000 million dinars annually. Operating expenses in the field of schooling should be more than doubled by 1965.

For the complete and timely execution of tasks in connection with schooling a special importance will be given to revising the system of financing to ensure the planned increase of the total resources for the development of schooling, the stability of the sources of finance and expansion of the foundations of social management in schools and other educational institutions.

5. In accordance with the growth of the economic possibilities of the country and the general advance, the resources for the promotion of culture in its various forms will also grow. These resources should be used primarily to expand the network of institutions serving to bring culture to the entire population including radio-television, films, libraries, centers of culture, adult workers' and people's universites etc., and then to provide improved protection and conservation of our cultural heritage.

Some 20,000 million dinars will be invested in the radio-television network, which will enable the television and the USW-FM network to encompass the densely-populated area of the country, while the medium-wave network should cover the whole national territory. The foreseen investments at the same time will make it possible to build up the television studios and reconstruct the existing radio stations.

Besides, there will be an increase in motion picture theaters and in domestic motion picture production. The publishing activity and the press will also be expanded.

6. In the domain of health services there will be an increase consonant with the mounting needs created by the population increase, the growing numbers of the workers and office employees enjoying health insurance, as well as by extension of health insurance to the agricultural and other population. For the promotion of the health service it is necessary to augment and quicken the erection of health institutions (hospitals, clinics health centers, preventive, rehabiltation and other institutions), to intensify the efforts for the training of skilled medical personnel, as well as to increase the operating outlays of these establishments. In this connection, it will be necessary to invest about 96,000 million dinars in the health services over the coming five years, which exceeds by more than 50 percent the annual average investments made during the period from 1957 to 1960.

For the development of health institutions and an improvement of their material position it is necessary to ensure permanent sources of finance which will enable steady progress in this sphere.

7. In the field of social welfare, it is necessary, first of all, to ensure an increase in the number of institutions for child protection, especially those for the accomodation of children by day and the care and protection of adult persons requiring the assistance of the community. Similarly it will be necessary to provide more favourable conditions for the schooling and vocational training of handicapped children and young people.

8. During the coming five years measures will be undertaken for a more massive promotion of physical culture, both among young people and the rest of the population, notably among the employed. Special attention should be paid to creating the conditions for the performance of physical education in schools, as well as the conditions for the promotion of physical culture in the towns and industrial centres on a mass scale.

Chapter V

GOVERNMENT APPARATUS AND NATIONAL DEFENCE

1. Increasing the expenditure of the government organs, including operating outlays and investments, should insure an improved functioning and better equipment in the operation of these bodies,

the erection of buildings needed for their accommodation, as well as the undertaking of general-economic measures, such as research in connection with the peaceful use of nuclear energy, supplementary measures for the promotion of different economic domains, and the like. It is foreseen that the expenditure of the government bodies will range as follows in the coming five-year period (in thousand million dinars):

	1960	1965	Index 1965/60	Annual average increase rate 1961-65
Expenditure of the government organs, excluding personel remuneration	258,8	363,0	140,0	7,0
Of which:				
Material outlays	228,8	321,0	140,0	7,0
Expenditure on public activities investments	30,0	42,0	140,0	7,0

2. The sums foreseen for the over-all requirements of national defence (operating outlays, total investments and personnel remuneration) average 252,000 million dinars annually. Total expenditure on national defence in 1965, which serve to strengthen its material and technical basis in the way dictated by the existing conditions, will account for 6.4 percent of the national income, as against the 8.2 percent in 1960, which would safeguard a real increase of the material outlays of the Yugoslav People's Army amounting to 4.7 percent annually.

Chapter VI

RESERVES

1. For purposes of ensuring the steady development of the economy and precluding major fluctuations in this development, where distribution of the national product and the national income is concerned provision is made for an increase of the working capital and stocks of economic organizations, the reserves included, amounting to about 1,600,000 million dinars between 1961 and 1965, which gives a 16.1 percent annual average rate of increase. Building of reserves, inclusive of the necessary community reserves, will thus display a

dynamism considerably quicker than that in the growth of the national product and the national income.

2. The annual plans shall provide for special allocation of resources to be used as reserves by the Federation and the other administrative and self-governing organs to ensure the stable movement of the economy and the standard of living and encourage development where this proves necessary. Steps should be taken to create reserves in the first several years of the coming period in particular.

3. Distribution of resources should also tend to have the reserves of foreign exchange increased during the coming period. Formation of foreign-exchange reserves should be consonant with the requirements of increasing foreign-trade and internal consumption.

Chapter VII

ECONOMIC RELATIONS WITH FOREIGN COUNTRIES

1. The promotion of production in the coming period will contribute to a more considerable expansion of foreign trade and various forms of economic cooperation with foreign countries. Foreign-trade should be fostered so that the deficit in current goods exchanges may be eliminated by the end of this period, this being understood to involve the balancing of the total exports and the total imports of goods and services. This should mark the new quality achieved by the economy in the course of the coming period.

It is estimated that the total volume of trade with foreign countries in 1965 will reach an increase of about 74 percent over 1960 which would give an annual rate of increase of 11.8 percent. This should be achieved by increasing the export of goods and services at the average rate of about 13.6 percent annually, accompanied by a corresponding rise in the import of goods and services.

2. It is foreseen that the structure of exports in 1965 will be approximately as follows (in thousands of millions of foreign-exchange dinars at the official rate):

	1960		1965			
	Value	Structure	Value	Structure	Index 1965/60	Annual average increase rate 1961-65
Total exports	166,5	100,0	322,0	100,0	194	14,2
Exports of manufactured goods	122,3	73,5	222,0	69,0	182	12,7
Exports of agricultural and forest products	44,2	26,5	100,0	31,0	226	17,7

Increased exports of manufactured goods will be made possible by the further development of serial and mass production, which in its turn should reduce the production costs and strengthen the competitive capacity of our manufacturing industries on the foreign market. This holds especially for equipment and finished products of the metal manufacturing industries together with shipbuilding and the electrical products industry, for the products of the chemical and woodworking, chemical pulp and paper manufacturing, non-ferrous metallurgy and food manufacturing industries. These are the branches upon which industrial development in the coming years will mainly rest. The products of these branches represent the main protagonists of exports because there are favourable natural conditions for their development, because their production makes possible a considerably stronger diversification of exports and because, simultaneously, in the stated branches there can be organized a larger-scale production which would insure a more stable increase of exports. Through the medium of these branches Yugoslavia has the most adequate conditions for increasing her participation in international trade.

Special attention should be paid to raising the export of agricultural products. In the agricultural sector the more preponderant portion of exports will be formed by meat and generally by livestock products, by maize and other cereals, while the export of other farm products is also expected to record a substantial rise.

3. In determining the volume and structure of imports it was planned to have the imports sustain the foreseen production growth and insure procurement of those products which are not being produced in the country, as well as to encourage a simultaneous and more intensive geographic extension of exports. Starting therefrom, a certain modification of their structure is envisaged:

	Structure 1960	Structure 1965
Total imports	100,0	100,0
Imports of production materials	62,6	67,0
Imports of equipment	21,7	20,9
Imports of consumer goods	8,9	9,6
Imports of food	3,7	0,4
Miscelaneous	3,1	2,1

In the imports structure there is going to be a more perceptible growth in raw materials and semi-manufactures and the products directly serving the requirements of enlarged production, which contrast with earlier years when food had figured in imports to a significant extent.

The increased imports of production materials should favour the expected growth of domestic production. The growing requirements of the economy in production material of industrial origin dictate, in their turn, a more intensive promotion of the domestic production of raw materials and semi-manufactures, in order to prevent excessive imports in this and the succeeding periods and reach the expected production growth with the established imports rate.

A significant increase in the import of equipment is also planned. Imports of capital goods should meet about one-third of the total requirements in production equipment.

Imports of consumer goods will contribute to an enlargement of assortments, improved market supply and a fuller market stabilization. Thus the growth of personal consumption shall be ensured both through domestic production and increased imports of consumer goods.

4. The achieved degree of production and consumption in the country and their foreseen increase in the coming period, as well as the existing economic relations with a large number of countries, shall call for an even wider application of all those forms of international economic cooperation which, along with the regular exchanges of goods and services, provide a solid basis for the promotion of durable and stable economic relations with other countries.

Increased total volume of foreign-trade shall be used to promote balanced relations in this sphere. Although the trade with all regions will record a further increase, their greatest relative growth is expected to take place with the regions of undeveloped and underdeveloped countries which are on the road of industrialization. Expansion of economic relations with these countries will be pursued both by increasing the regular good exchanges and by way of long-term capital investment arrangements.

In furthering economic cooperation a significant role should be played by scientific-technical cooperation, an exchange of technical experiences and by industrial cooperation toward a larger division of labour and the specializing and rationalizing of production.

5. In the matter of non-commodity transactions the favourable-balance trend exhibited in the preceding period is expected to continue. This favourable balance should mark a more considerable growth thanks to the promotion of transport, notably sea-transport, as well as to development of the tourist industry in connection with foreign visitors. During the next five years the foreign-exchange proceeds from

non-commodity transactions should increase by 74.5 percent, which gives as annual average increase of 11.8 percent.

6. Future economic development shall rely on our own sources and resources in a larger measure than before.

7. With the object of achieving the foreseen volume of exchanges with foreign countries, besides the expected production increase, the following measures should be implemented:

a) The development of those branches of the economy which rely on domestic raw material sources and for which more advantageous prospects occur relative to their long-term placing on foreign markets, should be encouraged;

b) The development of domestic production raw materials should be encouraged with a view to substituting the imports forming a major burden on the payments balance, and particularly the payments balance involving hard currencies;

c) Transit and sea transport and the tourist industry concerned with foreign visitors should be promoted;

d) Modifications should be made in the foreign-exchange system with the view of promoting the gradual liberalizing of imports, to an increase and improvement in the structure of foreign-exchange income, as well as a more rational stimulating of exports. In the final analysis, these modifications should ensure a more adequate inclusion of our economy in international goods exchanges.

Chapter VIII

REGIONAL DEVELOPMENT

1. In view of the fact that in individual parts of our country there exist varying conditions and possibilities for economic development, that Yugoslavia is a multinational country with pronounced differences in the degree of economic development of her different parts and that the furthering and consolidation of the communal system and the more efficient development of the whole economy call for a broader material basis, it is necessary to devote special attention in the coming period also to optimum territorial distribution of the productive forces.

2. In this connection the efforts and care of the social community for the development of undeveloped areas should be continued, by realizing in the development the most adequate relations between the undeveloped and the developed parts of the country.

Consequently it will be necessary to make maximum use of the material and human potential in the economically undeveloped areas and to carry on economic development at a speedier rate than elsewhere in the country and more rapidly than in the past period, thus achieving a gradual reduction of the differences in the degree of economic development between the economically undeveloped and developed parts of the country. Coincidentaly care must be taken that the economically more developed areas, should progress at a high rate of growth.

3. The achievement of more rapid development of economically undeveloped areas should be the concern and duty both of the Federation and all the people's republics and the local Peoples' Committees.

4. The basic course of development for economically undeveloped areas is by introducing industry there at a quickend and intensified rate, particularly in the cases where adequate raw material sources exist for the purpose.

Besides, it wil be necessary to promote simultaneously all those services and activities whose purpose is to train skilled personnel, promote technical knowledge, draw up programmes and designs, enable a more expeditious and least costly building activity, and so on, creating thereby the general prerequisites for coping more successfully with the key questions of development of the economically undeveloped areas of the country.

5. One of the measure for assisting the established aims is by forming a Federal Fund for the Development of Economically Undeveloped Areas of Yugoslavia, through the agency of which, with the participation of the people's republics, the Federation shall speed the development of these areas.

From this Fund, the Federation shall grant loans to the investment funds of the individual people's republics on whose territories it is necessary to speed the development of undeveloped areas, with the proviso that the people's republics concerned shall be bound to participate with at least 30 percent in the costs of all the projects financed with the resources granted from this Fund.

This participation in investments may take place both from the resources of a people's republic, and the resources of the Autonomous Kosovo-Metohija Region, and from the resources of the People's Committees and individual economic organizations.

When granting aid to the republican investment funds and the regional investment fund of the Autonomous Kosovo-Metohija Region, their general function and the basic directions of investment shall also be determined.

6. The resources to be granted by the Fund for the Development of Economically Undeveloped Areas should primarily be

utilized for construction the manufacturing industry projects, then for the promotion of agriculture, forestry, local transport, the tourist industry and handicrafts. The Fund may also finance the drafting of investment programmes and designs, for geological survey work, the training of personnel, and the like.

Beside these functions, in exceptional cases, the Fund may also grant subsidies for the construction of basic projects for social services, provided that this is directly linked with the erection of new economic enterprises and similar new projects.

7. Economically undeveloped areas, for whose development aid will be granted from the Fund, are those areas embraced in the compact geographic belt covering the whole of the People's Republic of Macedonia and the People's Republic of Montenegro, in the People's Republic of Serbia the Autonomous Kosovo-Metohija Region the southern and south-western parts of this Republic, then the southern and western parts with a portion of Posavina in the People's Republic of Bosnia and Herzegovina, and parts of Dalmatia, Lika, Banija and Kordun in the People's Republic of Croatia.

8. The resources of the Fund for the Development of Economically Undeveloped Areas of Yugoslavia shall be formed by allocating a portion of the resources from the General Investment Fund. Annuities under the loans granted from the resources of the Fund for the Development of Economically Undeveloped Areas of Yugoslavia shall belong to the Fund.

The amounts to be granted from the Fund for the period from 1961 to 1965 should aggregate about 169,000 million dinars.

The resources intended for the Fund shall be assured annually by the Federation through the Federal yearly plans, with due attention to the pace of development of the economically undeveloped areas, as well as the pace of general economic development.

9. Allotment of the resources shall be performed by the republican investment funds and the regional investment fund of the Autonomous Kosovo-Metohija Region through competitive applications and loans, in accordance with economic criteria regarding the earning power and effectiveness of the investment. For these pojects, the necessary sums of foreign exchange shall be assured in the same way as for the project financed by the General Investment Fund, with the provision that loans may exceptionally be granted for longer terms, at lower interest and on other more favourable conditions than those established for loans from General Investment Fund.

10. Starting from the number of inhabitants resident in economically undeveloped areas, the degree of development of these

areas, the economic capacity and possibilities of the people's republics themselves to expedite the development of undeveloped areas, as well as with special consideration for those cases where the economically undeveloped area coincides with the whole territory of a people's republic and the territory of the region, as in the People's Republic of Macedonia, the People's Republic of Montenegro and the Autonomous Kosovo-Metohija Region, and the necessity to achieve in some undeveloped areas a rate of growth higher than could be foreseen at the expence of the other sources for investments — the resources to be granted by the Fund should be distributed as follows by the people's republics: for the People's Republic of Macedonia 40.000 million dinars, for the People's Republic of Montenegro 12,400 million dinars, for the undeveloped parts of the inner territory of the People's Republic of Serbia 26,000 million dinars, for the Autonomous Kosovo-Metohija Region 33,500 millions dinars, for the undeveloped areas of the People's Republic of Croatia 13,300 million dinars, and for the undeveloped area of the People's Republic of Bosnia and Herzegovina 44,000 million dinars.

11. The Federal Executive Council is authorized to issue more detailed provisions concerning the functioning of this Fund and the conditions for granting loans from its resources.

12. The General Investment Fund shall finance under unchanged conditions, on the basis of the so-called guaranteed investments, the completion of all projects whose construction is under way, then of those projects in the other economically undeveloped areas which were started pursuant to the provisions of the Federal Economic Plan for 1960, as well as of other projects in the economically undeveloped areas whose financing was begun with the resources supplied by the General Investment Fund.

The annuities under the loans from the General Investment Fund which were concluded by the end of 1960 shall continue to belong to the People's Republic of Macedonia, the People's Republic of Montenegro and the Autonomous Kosovo-Metohija Region.

13. It is necessary to ensure that in granting credits from the means of the General Investment Fund applicants for loans from economically undeveloped areas shall be accorded priority in so far as they meet equally the criteria of economic viability establised for obtaining the loans.

14. It is foreseen that during the period from 1961 to 1965 gross investments in basic funds in the undeveloped areas of Yugoslavia will aggregate about 1,183,000 million dinars, of which about 342,000 million dinars on the territory of the People's Republic of Macedonia, about 140,000 million dinars on the territory of People's Republic of

Montenegro, and about 184,000 million dinars on the territory of the Autonomous Kosovo-Metohija Region.

15. Taking into consideration the incompleted capital projects, as well as the measures foreseen by the present Plan for development of economically undeveloped area of Yugoslavia, and assuming that the people's republics will themselves necessarily be taking similar measures in the same direction, as well as that in making the investments care will be taken to use the funds in a rational way and utilize the existing basic funds to a larger extent — it is expected to achieve an annual average rate of growth of about 14 percent in the economically undeveloped area of Yugoslavia during the period from 1961 to 1965. This rate therefore is above the average rate for the whole country, and also above the rate recorded in the undeveloped area thus far.

Within the framework of this rate, it is planned that the rate of growth in the People's Republic of Macedonia will average about 14 to 15 percent, and in the People's Republic of Montenegro and the Autonomous Kosovo-Metohija Region about 18 to 20 percent annually.

On the basis of these rates, the differences in the degree of economic development between the economically undeveloped and the economically developed area of the country would become reduced.

16. The Federation and the people's republics shall carry out periodic analyses of the execution of the proportions planned for and, according to need, undertake appropriate measures to enable development in the undeveloped area to proceed at a rate coresponding to the proportions foreseen by the present Plan.

Chapter IX

EMPLOYMENT, PERSONNEL AND PRODUCTIVITY

I. Employment

1. Using the past trends in the movement of employment and from the requirement to establish as favourable relations as possible between employment ad productivity of labour as the point of departure it is expected that the number of newly employed persons in the socialist sector of the economy, the government organs and public services will increase by about 1,000,000 during the next five years, or 204,000 annually on an average. In this the productive activities of the socialist sector of the economy should account for about 176,000 and the non-productive activities for 28,000 workers and office employees.

2. The increase rate of new employment will tend to recede in the coming period since, owing to the growing productivity of labour, relatively fewer and fewer workers will be required for the given

volume of production. As a result, the employment rate in the economy would average about 6.2 percent annually, as against the 7.6 percent during the period from 1957 to 1960.

3. It is estimated that the labour force will be distributed as follows by the basic economic branches of the socialist sector (in thousands):

	1960	1965	Increase for whole 5-yr. period	Annual average increase	Index 1965/60	Annual average increase rate 1961-65
Total economy of the socialist sector	2.529	3.412	883	176,6	134,9	6,2
Industry	1.058	1.428	370	74,0	135,0	6,2
Agriculture	265	395	130	26,0	149,1	8,3
Forestry	83	100	17	3,4	120,5	3,8
Construction	260	330	70	14,0	126,9	4,9
Transport	239	297	58	11,6	124,3	4,4
Trade and catering	301	386	85	17,0	128,2	5,1
Handicrafts, including other service trades	323	476	153	30,6	147,4	8,1

Of the total labour power which will be employed in the economy of the socialist sector in 1965, industry should account for about 42 percent. Industrial cployment of such proportions corresponds to the general economic significance of industry, whose output in that year would represent about 55 percent of the over-all production.

4. Increased employment in non-agricultural activities will make it possible not only to absorb the whole margin of increase of the economically active population but to reduce the economically active population in agriculture. On this basis, there should occur additional modifications in the occupational structure of the total economically active population:

	Total population, thousands			Structure, percentages	
	Total population	Agri-cultural	Non-agri-cultural	Agri-cultural	Non-agri-cultural
1960	18.667	9.333	9.334	50,0	50,0
1965	19.821	8.406	11.415	42,4	57,6

In 1965 the non-agricultural population should equal about 57 percent and account for 52 percent of the active population. Thus the end of the coming period should find the larger part of the population and the labour force engaged in non-agricultural activities.

II. Trained Personnel and the Skill Structure of the Labour Force

1. In accordance with the Resolution of the Federal People's Assembly relating to the training of skilled personnel, steps will be taken in the comnig period to achieve more rapid and better adjustments of the skill structure of employed persons, as well as to raise the level of their professional and technical knowledge in accordance with the requirements of the economy and public services. The vocational training of new and higher training of the present personnel represents an essential prerequisite for rapid development, an increase of productivity and the introduction of up-to-date techniques and organization in the production and distribution. With the growth of production and the promotion of social services the demand for skilled personnel will increase considerably.

In order to ensure the fulfilment of the tasks set by the Plan it is foreseen that in the coming five-year period the newly recruited as well as presently employed labour force should be trained so that its qualifications structure becomes modified in the following way by the end of 1965:

	1960		1965	
	Number in thousands	Structure, %	Number in thousands	Structure, %
Total employed persons[11] in economic and non-economic activities of the socialist sector	2.967	100,0	3.972,0	100,0
Of which:				
Office-technical personnel with high and advanced training	103,8	3,5	188,8	4,8
Office-technical personnel with secondary training	312,5	10,5	480,0	12,1
Highly-skilled workers	176,0	5,9	258,2	6,5
Skilled workers	771,5	26,0	1.096,0	27,6
Total 1 to 4	1.363,9	45,9	2.023,0	51,0
Other (semi-skilled specialized and unskilled workers)	1,603,2	54,1	1.949,0	49,0

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[11] Excluding national defence and internal affairs.

2. It is estimated that, in order to reach this modifications in the structure of the labour force in the course of the coming period it will be necessary to incorporate in the economy, the government bodies and public services about 85,000 persons with high and advanced training (engineers, agronomists, economists, jurists, teachers, and so on), about 168,000 persons with secondary training, about 82,000 highly-skilled workers, and about 325,000 skilled workers.[12] Concerning unskilled workers, particularly those coming from the village, it is necessary to ensure their organized reception and training for work in the economy.

3. In conformity to the large demand for trained personnel, systematic measures will be taken for quicker and more effective schooling and vocational training. Vocational training should be extended to embrace the largest numbers of young people and adult persons, while the training methods and forms should be adapted in maximum measure to the demands and requirements of the concrete requirements, in accordance with the principles of the Resolution on the training of skilled personnel. To this end the network of university faculties, advanced and vocational schools and other institutions for professional training should be promoted at a quicker rate. In 1965 about 0.78 percent of the total population will be embraced by higher and advanced schooling, as against the 0.56 percent in 1960.

The due attention will have to be devoted to quickened expansion of the network of eight-year elementary schools as the indispensable basis of further vocational training. By 1965 some 92.5 percent of the children aged from 7 to 15 year should become embraced by eight-year schooling. About 95,000 million dinars are to be invested in the construction of secondary schools.

4. In view of the fact that today already an acute shortage is felt of professional personnel with intermediate training, in promoting the system of vocational training a prominent place should be given to technical and other vocational schools and institutions for the training of personnel, so as to increase the number and participation of these cadres in the over-all skill structure of the labour force.

A more comprehensive and complex development in the coming period demands that necessary attention be paid simultaneously to creating technical specialists and personnel with a high degree of professional skills who will be able to cope with the more complex technical problems in production and enable the timely introduction of more advanced production methods.

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[12] This relates to the net requirements. The gross requirements in skilled personnel for the next five years amount to about 113,000 persons with high and advanced training about 225,000 with secondary training, 116,000 highly-skilled and 465,000 skilled workers.

5. In the future all schools and other educational institutions devoted to the preparation of trained personnel from among young people should work toward the training and professional education of adult persons as well. The large demand of the community for skilled personnel and the growing interest of young people for vocational training and education make it incumbent upon these schools and institutions to further the various forms of their work in the future. Through a wider-scale introduction of part-time education and night schooling, of correspondence courses, seminars, consultations and other suitable forms, all citizens should be enabled to learn as they work, i. e. gain all degrees of professional education without interrupting their employment.

6. For the fulfilment of the tasks arising in connection with the training of personnel the fullest participation of economic organizations, and public services, the government bodies and all the other responsible circles engaged in the training of personnel is necessary. To this end it will be necessary to provide adequate resources and the steady financing of the schools and institutions devoted to the training of personnel. Where the erection of vocational schools, high and advanced schools and other educational institutions is concerned, the present Plan provides that the people's republics, the local People's Committees and economic and other organizations shall invest about 105,000 million dinars over the coming five years, which should provide more advantageous conditions to be established for the operation of schools and educational institutions. Adequate measures should be undertaken to stimulate economic enterprises, the State organs and other institutions toward realization of the tasks confronting them in connection with the training of skilled personnel, and the working people should be spurred more intensively the system of remuneration toward vocational training and education.

III. Productivity of Labour

1. The rapid growth of productivity represents one of the fundamental tasks of economic development in the years ahead. Fulfillment of the planned production and distribution of the national product, enlarged consumption and a steady increase of real earnings will depend upon the movement of productivity. Increasing productivity will be achieved by advanced technical equipment of labour, the selection of up-to-date technology, the introduction of new production processes and the application of partial and general automation of the production processes. Increasing productivity should also be

encouraged by improving the skill structure and raising the amount of technical knowledge, advancing the living standards of the working people, as well as by further improvement of all components of our economic system.

2. Introduction of modern technology, as the principal factor of increased productivity of labour, shall be pursued both by erecting new modernly-equipped enterprises and by carrying on constant reconstruction and continuous introduction of new techniques and improvements in production. New techniques should find a broad application in all domains and branches of the economy, with special emphasis on those branches whereby the technical level of the whole economy is conditioned, such as machine building, the metallurgical and chemical industries, and the building construction industry upon which the effectiveness of future investment projects largely depends. A high technical level in these branches will contribute to the more rapid increase of labour productivity in other economic branches and activities as well.

3. It is foreseen that poductivity will grow by 39.2 percent over the coming five years, averaging an increase of 6.8 percent annually measured by the increase in the national product per employed person). It is estimated that the movement of productivity in the basic domains of the socialist sector will be as follows:

	Index of production	Index of employment	Index of productivity increase 1965/60	Annual average increase rate 1961-65
	1965/60			
Industry	184,0	135,0	136,4	6,4
Agriculture	304,9	149,1	204,5	15,4
Forestry	138,2	120,5	114,7	2,8
Construction	193,5	126,9	152,5	8,8
Transport	177,5	124,3	142,8	7,4
Trade	178,1	128,2	138,9	6,8
Handicrafts, including other service trades	208,1	147,4	141,4	7,1
Total economy	187,8	134,9	139,2	6,8

Quickened growth of productivity in industry and other non-agricultural activities shall be realized notwithstanding the inclusion of new manpower in production. The highest increase rate of productivity is expected in agriculture on account of the fact that here a number of factors will be acting in an intensified fashion and simultaneously toward increasing productivity of labour, including the application of new techniques and technology, the modification of the structure of agricultural production and a quicker change of social relations in agriculture in combination with the spread of new socialist forms of economic activity. The movement of the labour force from agriculture will also act toward increasing the productivity of labour because agricultural production will be carried on with a reduced number of employed persons.

4. In the coming period the relations between new employment and productivity of labour should be formed so as to have productivity of labour become the more crucial factor in increasing production and national income, in contrast to the preceding years when new increasing employment was the main factor in encreased production. Thus the enhanced function of productivity of labour should mark a higher phase of development of our economy and represent the essential characteristic of the coming period. In this connection, the increasingly decisive importance of techniques and other factors contributing to increased labour production is emphasized.

5. Economic organizations should intensify their efforts for raising productivity by making fuller use of the reserves occuring in production, by perfecting the production processes, introducing improved organization of production and more rational investment, as well as a more adequate remuneration of personal accomplishments and efforts. The endeavours of economic organizations in this direction should be upheld by further improvements in the general income distribution system and by other measures designed to promote economic development.

Chapter X

SCIENTIFIC RESEARCH WORK

1. One important and inevitable task in the coming period shall include comprehensive promotion of scientific-research work and its concentration on the study and solution of the specific problems of our economic and social develompent. This task is specially emphasized owing to the growing importance assumed by the aplication of modern scientific and technical developments, as well as to the fact that in many domains today research work does not correspond to the requirements of our economic development. Consequently special attention should be paid to the organization, expansion and constant improvement of the material, technical and other working conditions of the scientific-research institutions.

2. The establishment of new and enlargement of the present independent scientific institutes, research institutes in the economy as well as the University research institutes should be carried on so as to have the scope and results of their activity coordinated with the degree of development of the corresponding economic branches and social services whose promotion they should serve in a more comprehensive way. In this context, special importance shall be attached to the institutes, development laboratories and similar research institutions which will be established by economic organizations and groups of economic organizations. These research institutions should seek out new products and production methods, improve the exsisting technological processes and study new ones, and also adjust the results and achievements of fundamental and applied research work to the practical problems and practical utilization in production.

3. Systematic preparation of personnel for scientific work forms the precondition for successful scientific research and the practical utilization of scientific results. It is therefore indispensable to promote as strongly as possible the system of post-graduate studies for advanced professional training, specializing and preparation of personnel for scientific-research work.

4. Expansion of the material foundations and the general advancement of scientific-research work shall be largely assisted by economic organizations whose interest in the utilization of the results of scientific-research work and the financing of research tasks will grow parallel with the development of their producing possibilities and requirements. It is therefore foreseen that the finance for scientific-research work in the next period should prevalently come from the economic organizations, then from the institutions, communes and other organs directly served by the results of research.

The Federation and the republican executive councils shall participate in the financing of specific research tasks from their funds intended for scientific work, especially those commanding a more general importance for economic and social development. The scientific research funds of the Federation and the component republics may be used to finance specific scientific-research tasks where it is a question of significant fundamental research.

For the sake of adequate promotion of scientific-research activities it is necessary to advance and materially assist the operation of such services as the scientific and technical documentation and information service, the standards and patents service, as well as other services of moment to the development of scientific work.

PART THREE

Chapter XI

ECONOMIC DEVELOPMENT

Industry

1. Relying on adequate utilization of the general and natural conditions in the coming period it shall be necessary to realize such changes in the volume and structure of industrial production as will enable a more comprehensive development of industry and create the conditions for its systematic rise even after the period covered by the present Plan. In this respect, the output of raw materials, semi-manufactures and a corresponding production of power, must be promoted as the indispensable foundation for the steady development of the entire economy. The conditions should simultaneously be created, through a considerable englargement of the output of highly-productive equipment, for achieving a modern technical, technological and organizational production level in industry and other branches of the economy.

2. Accordingly, industrial development shall aim at the expansion of the production of steel and high-grade steel products, as the basic production material upon the availability of which the fulfilment of the targets established in all domains of the economy depends, and especially the structure of industrial production. The production of ferrous metals should be based on the introduction of the latest production processes and the coordinated development of all phases, meaning that, besides increasing the production of finished steel products, thereof, it will also be necessary to speed up the production and processing of iron ore, the utilization of waste raw materials containing iron and the production of pig iron.

The chemical industry products also must increase, with a view to supplying raw materials for other branches of industry. Modernisation of the chemical industry should enable the introduction of high yielding production processes, improvement of the quality of the products and an enlargement of their assortments, economically justified exports and substitution of domestic raw materials for imported ones. Special attention should be devoted to the industry engaged in organic chemistry products, notably by promoting the production of plastics and synthetic fibres.

With a view to expanding the production of basic raw materials, it will be necessary to develop the production of non-ferrous metals, particularly the production of aluminium, copper and zinc.

3. The higher level of development of the economy and its closer linking with the world economy, the great need for replacement of the existing production machinery and the foreseen volume of new investments in capital goods, as well as the need to introduce modern technology in production, will pose exceptionally large demands as regards the volume and structure of the output of equipment, where the production costs today are relatively high and the producing backward. The satisfaction of the preponderant part of these requirements shall require the basic orientation of the machine building industry. In this development special attention shall be given to coordination of the designing phases and the production of semi-manufactures and parts for final production of equipment. In this organization of production emphasis should be placed on creating a network of co-operation between specialized enterprises capable of utilizing the economic advantages of mechanized and automatic serial production.

4. In order to fully utilize the advantages extended to industry by the structural changes in agricultural production and the development of forestry, together with the aim of satisfying the internal demand and increasing exports, the coming period requires the intensive promotion of industries based on the processing of high-grade farm produce and wood. This applies especially to sugar refining canning, and livestock feed industries, then to the production of chemical pulp, paper, materials substituting sawn timber, as well as to the final products of the wood industry such as furniture.

5. The rapid economic growth, and particularly the rapid rise of industrial production, demands the production power in the quantities and forms to ensure unhindered development of the economy. As a result, parallel with the over-all economic development, it will be necessary to keep raising the production of electric power, coal, petroleum and gas.

6. Industrial production intended for personal consumption should be promoted in accordance with the growth of the volume of and the changed structure of personal consumption, as well as with the export possibilities. It is necessary to insure a far greater variety and a better quality of the products, as well as to speed up the production of durable consumer goods and other products whose demand will be growing with the changed structure of personal consumption.

7. For the successful execution of the comprehensive programme of building construction work, and particularly for speeding up the modern standardized method of housing construction, it will be neces-

sary to make fundamental changes in the traditional production methods in the building industry and essentially alter the structure of production in the direction of obtaining lighter, better-quality and standard elements which will enable a transition to be made to more modern techniques in construction and to quicker and more rational building. In order to reduce building costs and relieve transport, steps should be taken to promote the erection of plants intended to produce for the building industry primarily in the consuming areas but which at the same time dispose of the necessary raw materials basis.

8. Application of up-to-date production machinery introduction of electronic techniques and automatic production processes, maximal utilization of the production capacities, improvements in the utilization of basic assets by working additional shifts, maximum economies in and better utilization of the available raw materials should represent the general orientation in all these branches of industrial production, and particularly in these branches which are the chief bearers of quickened industrial development. In the organization of industrial production it is indispensable to seek a broader division of labour, the specializing of enterprises and their co-operation, especially in the field of production of equipment and durable consumer goods.

With the aim of achieving a more rapid rate of development of industry, its most successful inclusion in international trade, as well as of consolidating the system of workers' management, it is necessary to take measures to ensure that all branches of industry fully apply the principles of economic operations and a more rational organization of production, and promote the free formation of prices in accordance with the market conditions.

9. During the period from 1961 to 1965 industrial production is to rise by about 13 percent annually on an average. In this rise, the production of power should mark an annual average increase of about 11.6 percent, equipment and durable goods by about 13.5 percent, basic metals 11.5 percent, the chemical industry 16.7 percent, the processing of agricultural products 13.4 percent, the industrial processing of wood and cellulose 15.4 percent, the bulding materials industry 14.9 percent, the footwear and clothing industry 11.4%. The means of production should average an increase rate of 13.2 percent annually, production material 12.8 percent annualy, an consumer goods 13.9 percent annualy.

10. It is estimated that the production of certain more important groups of industrial products will grow as follows:

	Unit	Produced in 1960[13]	Production envisaged for 1965	Index 1965/60
Energy sources				
Electric power	GWh	8.800	17.500	199
Coal	000 t.	22.900	35.000	153
Crude derivatives	"	900	2.200	244
Petroleum derivatives	"	1.215	2.450	202
Natural gas, millions	Nm³	65.000	400.000	615
Production of Equipment and Durable Goods				
Manufacturing and minig machinery	Tons	35.100	66.500	189
Building machinery and equipment	"	7.000	15.000	214
Agricultural machinery	"	26.000	35.000	135
Electric machinery[14]		8.300	18.000	217
Transformers	"	9.500	20.000	211
Cables and wire	"	56.500	72.000	127
Sea-going vessels (deliveries)	G. R. T.	186.898[15]	300.000	161
River vessels	Tons carrying cap.	68.000	96.000	141
Lorries (trucks) & buses	Number	5.750	13.350	232
Tractors	Number	7.500	20.000	267
Automobiles	Number	12.000	30.000	250
Motorcycles	Number	40.000	120.000	300
Electrical household appliances	Tons	10.070	30.800	306
Radio receiving sets	Number	240.000	455.000	190
TV sets	Number	15.000	100.000	667

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[13] Estimate for 1960.

[14] Generators and motors.

[15] Capacity 220,000 gross register tons.

	Unit	Produced in 1960	Production envisaged for 1965	Index 1965/60
Basic Metals and Metal Semi-manufactures				
Pig iron	000 t.	1.000	1.600	160
Crude steel	„	1.450	2.300	159
Steel products	„	1.040	1.660	160
Copper[16]	Tons	35.300	77.000	218
Aluminium	„	23.000	47.000	204
Zinc	„	34.780	58.000	167
Lead	„	87.000	113.000	130
Castings	000 t.	240	480	200
Wrought and pressed products	„	19	50	263
Chemical Manufacure				
Sulphuric acid	000 t.	145	700	483
Fertilizers	„	280	2.040	729
Plastics	„	14	60	429
Viscose and synthetic fibres	„	21,9	41	187
Industrial Processing of Agricultural Products				
Sugar	Tons	278.000[17]	500.000	180
Canned meat	„	30.000	70.000	233
Canned fruit and vegetables	„	49.000	160.000	327
Vegetable fats	„	73.000	130.000	178
Concentrated animal feed	„	90.000	1,100.000	1.222
Industrial Processing of wood				
Sawn wood, total	000 c. m.	2.271	2.840	125
Plywood and panels	„	108	237	219

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[16] Including copperscrap, viz. 6,000 tons in 1960 and 12,000 tons in 1965.
[17] Calendar year; production from the 1960 harvest equals 260,000 tons.

	Unit	Produced in 1960	Production envisaged for 1965	Index 1965/60
Lesonite and chipboards	000 t.	41	221	539
House furniture, complete	000 suites	174	360	207
Chemical & mechanical pulp	000 t.	197	548	278
Newsprint	"	30,3	75	248
Other paper and board	"	147	426	290
Building Material Manufacture				
Cement	000 t.	2.400	4.200	175
Flat glass	000 sq. m.	7.300	15.000	205
Material for wals and fill	(Reduced to normal size) Millions	1.200	3.000	250
Footwear and Clothing Manufacture				
Fabrics, all types	000 sq. m.	319.730	542.500	170
Footwear (leather, rubber, incl. craft production)	000 pairs	34.750	50.500	145

11. The foreseen development of production presupposes an average increase of labour productivity by 6.4 percent annually. Employment in industry should rise by 370,000 so that industry will be employing about 1,430,000 persons in 1965. In view of the new techniques and the new production processes which will be introduced at a quickened rate, it is necessary to effect considerable improvements in the skill structure of the personnel employed in industry in the mode and spirit of the provisions of Chapter IX of the present Plan.

12. The growth of industrial production should enable a commensurate increase of exports of industrial products, with the structure of exports moving toward a greater proportion of highly finished products.

Imports of production material for the manufacturing industry will increase at a slower rate than industrial production. The planned level of imports presupposes the realization of major substitutions and a far better supply from domestic sources, especially as regards petroleum products, chemical products, chemical and mechanical pulp and paper, as well as metal parts for assembling.

13. For ensuring the further development of industrial production during the period from 1961 to 1965, it is expected that about 2,017,000 million dinars will have to be invested in basic capital assets. The investments should be concentrated, in the first place, toward the quicker completion of the projects already under construction, and next:

a) Toward the erection and expansion of the ferrous-metallurgy plants utilizing domestic raw materials and power basis, toward enlargement of the existing and the opening of new iron ore mines and toward ore concentration, toward coordinated development of metallurgical plants by building a new plants, as well as by promoting other ferrous metallurgy undertakings.

b) Toward the erection of chemical plants, including the enlargement of the existing and the construction of new installations for the manufacture of plastics and synthetic fibres, as well as for the production of chemical fertilizers;

c) Toward the construction of new hydro-electric projects with advantageous specific investments and locations relative to consumption, as well as toward erecting new thermo-electric stations which would utilize the available coal waste and low-grade coal; toward raising coal production from the deposits having good conditions for exploitation and situated most favourably relative to the consumption centres, toward the processing and gasifying of coal; toward raising the petroleum production and intensifying exploratory work, toward promotion of the gas network, notably the development of gas fields and the distributing network for the utilization of the natural gas reserves for heal and technological purposes and by the chemical industry, and lastly, toward the erection of installations for petroleum refining in technological processes corresponding to the structure of consumption;

d) Toward modernizing and enlarging the facilities of the machine building industry and the electrical products industry and toward erecting special plants for the production of semi-manufactures and parts;

e) Towards the construction of modern plants for processing of agricultural products and the production of livestock feed, then toward plants for the production of chemical pulp and paper, the production of composition boards and furniture;

f) Toward the erection of plants for the production of modern building materials, notably for the production of cement, glass, and up-to-date building and construction elements.

g) Toward research work intended to ensure an enlargement of the power basis, the adoption of new technology, the development and perfecting of improved phases of processing, as well as the development and perfecting of the domestic raw materials basis (natural and synthetic) and substitution of imported raw materials.

For the more rapid development of industry in the underdeveloped parts of the country, efforts must be made to promote more intensively those branches of the manufacturing industry which are most suitable considering the level of technology, labour power the raw materials and other considerations (the textile and wood working industries, leather and footwear manufacturing, the chemical processing industries, the electrical products industry, and the like).

14. The following is an estimate of the over-all five-year volume of investments in basic capital assets, broken down by the basic groups of industrial production (in thousands of millions of dinars):

			annual average investment in the economy	
	1960	1965	1957—60	1961—65
Power	92	159	76	131
Production of basic metals	25	74	22	54
Production of equipment & durable consumer goods	20	52	21	36
Chemical manufacture	19	49	13	37
Procesing of agricultural products & wood	43	80	35	64
Building materials manufacture	15	45	10	35
Clothing and footwear manufacture	25	29	16	27
Other	30	26	15	19
Total:	269	514	208	403

15. In order to improve the position of the old enterprises which were unable to renew their basic capital assets regularly in previous

years, loans will be granted to these enterprises from public funds. Likewise loans will be granted from the General Investment Fund to the enterprises producing for the needs of the Yugoslav People's Army, toward their quicker and larger reorientation toward production for the needs of the general market.

Chapter XII

AGRICULTURE

1. During the period from 1961 to 1965 the prevailing policy of promotion and transformation of agriculture into large scale production based on socialist relations, modern social means of production and a high productivity of labour will continue. The essential element in the development of agriculture will therefore be the enlargement and completion of large socialist holdings, the expansion of cooperation and the strengthening of the production funds of socialist holdings and agricultural cooperatives and their increased influence on the alteration of the social and material basis of agricultural production.

Agricultural production, whose development represents an important component of the future growth of agriculture, should meet the following demande confronting it:

a) It should satisfy the requirements of personal consumption on a considerably higher level than heretofore, contributing to the expansion of the internal market;

b) It should ensure the necessary quantities of high-grade raw materials for the agricultural-processing industries, whose output is to grow appreciably in the coming years;

c) It should ensure a considerably increased volume of products for export which will conform better to the requirements of the foreign market by their quality and selection, thereby improving the condition of the payments balance and the position of the country on foreign markets of agricultural products.

2. The promotion of large socialist farms and expanded linking of individual holdings with the socialist sector should tend toward increasing capital accumulating of socially-organized production, to enable them to expand their productive capacity from own accumulated funds in larger measure than today.

3. During the period from 1961 to 1965 the physical volume of agricultural production is expected to rise at the annual average rate of 8.3 percent, while the increase in agricultural production for the five years would total about 50 percent relative to the two-year average 1959—60. Thus by the end of the coming 5 year period socially-orga-

nized production should have become predominant in the total agricultural production, notably in the available supplies for the market.

This rapid increase will be realized by expanding the existing and promoting new forms of socialist production. In the coming period it is reckoned with an expansion of the area of large socialist holdings by systematizing the existing publicly owned land fund, by obtaining new areas through reclamation, by purchasing and renting land, by means of cooperation in production and by other forms of producing cooperation of economic organizations with individual producers. Under such conditions a quicker expansion of modern agrotechnical methods can be expected to take place and new domains of agriculture to be encompassed by the process of modernization of production.

4. In the coming years the promotion of agricultural production should concentrate even more on intensification of livestock breeding especially cattle breeding, as well as on the products of crop farming which will ensure a raw materials basis for a more intensive livestock production. This orientation in agricultural production corresponds to the structural changes in personal consumption, as well as to the basic trends in the development of international trade in agricultural products. Accordingly, it is foreseen that livestock production during the period from 1961 to 1965 shall grow by 9.9 percent annually, crop farming by 7.7 percent, fruit growing by 9.2 percent, viticulture by 7.4 percent, and of fisheries by 12 percent (all in relation to the average 1959—60.

5. The following level of production is expected to be reached in 1965 in connection with the basic livestock products (in thousands of tons:

	1960	1965	Index 1965/1960	Annual average increase rate 1961—1965
Meat, all types	650	1.030	158,4	9.7
Milk	2.650	4.300	162,6	10,2
Eggs, millions	1.700	3.300	194,1	14,2

To fulfil these tasks it is absolutely necessary to raise the output of animal feeding-stuffs, to wit, feed grain, notably maize, then soybeans and other livestock feed. For the planned advancement of stock breeding it will be necessary, among, other things, to build suitable industrial plants for the production of animal feed, factories for the processing of soybeans, the production of fish meal, etc. In addition, it is necessary to ensure the mechanism of veterinary-sanitary service as a check against the principal animal diseases.

6. Along with the intensified promotion of stock breeding, it is incumbent to achieve a perceptibly higher production in crop farming during the coming five-year period. In 1965 the production of crop farming should reach a level about 45 percent above the two-year average 1959—60. The basic means to this end consist in raising the yield per hectare and changing the structure of sowing by increasing industrial crops and animal feed.

The following is the foreseen production of the more important products of crop farming in thousands of tons:

	Average 1959—1960	1965	Index of increase	Annual average increase rates 1961—1965
Wheat and rye	4.100	5.000	122	4,1
Maize	6.100	9.500	156	9,3
Sugar beet	2.200	4.000	182	12,7
Sunflower	112	150	144	7,6
Soybeans	26	400	1.538	—
Cotton	7,2	25	347	28,2
Tobacco	38	60	158	9,6
Vegetables, excl. potatoes	1.850	2.500	135	6,2

In the coming period there should be ensured a high and steady cereal production. The main effort will involve increased maize production, while wheat production should be consolidated at the level of supply for internal requirements plus lesser surplusses for reserves and export. In the sphere of industrial crops the principal tasks are to change the assortiments and icrease output, notably that of soybeans, cotton and sugar beet.

The proposed production increase shall primarily be pursued by introducing new techniques and new production processes. The crop farming production must have increased mechanization, larger quantities of fertilizers, selected seeds, plant protection preparations and similar conditions.

7. The production of fruit growing and viticulture should be improved further by erecting modern and reconstructing the existing

vineyards and fruit orchards on large socialist holdings. This improvement should also be pursued by means of a broader inclusion of the individual producers in the social production process through various form of cooperation. The promotion of fruit growing and viticulture in the coming period should be directed toward changing the present one-sided production structure in accordance with the requirements of the market and the food processing industries.

8. In the coming period it is reckoned with an increase of about 82 percent in the production of fisheries, relative to the two-year average production level 1959—60, in the first place by expanding salt-water catch and enlarging the area of freshwater fishponds, as well as by organizing Atlantic Ocean fishing.

9. For the expected increase of agricultural production, it is necessary to invest about 680,000 million dinars in the basic capital assets of agriculture in the course of the coming period. In utilizing the investment funds attention should be given to the following considerations:

a) Investments should involve such directions, functions and projects as will enable the given production policy and aims to be achieved;

b) In this, priority should be given to supplementary investments, that is to say, those made to eliminate production bottlenecks both on large socialist holdings and in agricultural cooperatives. The investments should be canalized, in the first place, towards those functions which are activated more rapidly and contribute to a rapid increase of production. Within the framework of different functions priority should be given to investments serving to increase production at lowest production costs;

c) In utilizing the resources of the General Investment Fund a gradual end should be made to the hitherto prevailing very extensive financing and the resources should be orientated toward as few projects and functions as possible which represent the basis for the development and advancement of agriculture as a whole, and which will yield more perceptible results in resolving the question of supply of the consumer centres, of industry and exports.

10. The resources planned for investment shall be employed for the further mechanization of agricultural production, for land reclamations and water conservation for the procurement of livestock, for erecting facilities for the finishing and receiving of agricultural product, for the construction of approaches, the purchase of land, the erection of scientific and other agricultural institutions, for salt-water fishing and freshwater fisheries.

11. With the use of these investments, the economy of Yugoslavia should have its equipment perceptibly improved: by the end of 1965 it should have about 70,000 tractors, as against the 36,000 at the end of 1960, and about 9,000 grain combines, as against the 4,000 in 1960. The number of the available machines would make it possible carry out basic cultivation and harvesting by mechanized means on about 2.5 to 3 million hectares belonging to large socialist holdings and in cooperation in 1965.

Besides, there should be considerably expanded the economic facilities for the accommodation and fattening of livestock, the promotion of poultry farming, the development of intensive market-gardening, and the facilities for finishing and storing agricultural products.

The investments for reclamation projects shall primarily be used to continue work on the Danube-Tisa-Danube water control system, for reclamation projects in the People's Republic of Macedonia and the Kosovo-Metohija Region, as well as for work under the previously concluded loans. In this period investments should also be made in reclamation projects on the Sava, Neretva and Morava Rivers, in the first place along those sections where there are or can be established large socialist holdings and where this work serves to improve agricultural production in a direct way. With this aim, in the course of 1961 a law on the financing of reclamation projects in the Sava, Neretva and Morava areas should be enacted.

For purposes of conserving and improving the fertility of the soil, the stability of agricultural production and protecting communities and economic facilities from the harmful action of flood waters, investments in the water control shall be intensified in the coming period.

12. In order to ensure more effective development of agriculture, it is necessary to invest considerably greater funds than heretofore also in other economic domains which are closely connected with agricultural production. The following investments will be made in the coming period: in food processing about 140,000 million dinars; in the production of the chemical industry for the requirements of agriculture about 44,000 million dinars; in the agricultural machinery industry about 12,000 million dinars; in the trade in agricultural products about 58,000 million dinars; in the construction of secondary roads designed directly to serve agriculture about 20,000 million dinars. In their volume and dynamism, the investments should be synchronized both between individual branches of agricultural production and the total investments in agriculture with the investments in the domains and branches whereby the successful development and rational utilization of agricultural products is conditioned.

13. In the future development of agriculture it will be necesary to concentrate the efforts in far greater measure on having the production raised and its structure altered in the least expensive way so that the best economic results may be achieved in the operation of large socialist holdings and in cooperation. In this direction it is incumbent to keep improving the economic position of agricultural organizations through gradual improvement of the price relations between agricultural products and manufactured goods, as well as by improving the credit terms, creating more stable conditions for the economic activity of agricultural organization.

Chapter XIII

FORESTRY

1. The development of the forest in the coming period should proceed toward:

a) The further consolidation of the forest reserves and, within this framework, the fullest possible utilization of the stands due for felling, accompanied by simultaneous improvement of the stability and economic value of forests, with the object of ensuring a durable and rational utilization in subsequent periods also;

b) The further technical equipment of production by mechanizing the felling and hauling operations, silviculture and forest protection and erecting forest communication lines;

c) The broadest possible application of modern methods in connection with the silviculture and protection of the forests, reclamation of damaged forests and brushwood and the introduction of quickly-growing tree species in the existing forests;

d) The erection of new intensive forest cultures and plantations;

e) The organized consolidation of forest conservancies and their transition to the status of economic organizations with workers' management.

2. The coming period should see a gradual expansion of forest exploitation and an increase in forest production. The requirements of the socialist sector of the economy will be satisfied by raising production to 10,297,000 cubic metres of commercial timber in 1965, as against the 7,642,000 c. m. from 1960. By orientating the timber industry toward the processing of hardwoods in the production of sawn wood, boards and mechanical pulp, by a broader utilization of wood of small sizes and wood waste, a more rational utilization of and substitution of wood in construction and mining, by substituting fuelwood with other sources of thermal energy — the requirements of com-

mercial timber should be satisfied by felling 22,500,000 c. m. in 1965, as against the 19,500,000 c. m. in 1960.

Within the framework of the planned production of commercial timber it is necessary to ensure a structure of consumption which will correspond to the foreseen development of industrial processing of wood, particularly as regards the quantities of softwood and hardwood logs sawing and logs for veneer.

Besides satisfying the internal requirements, the production should also ensure exports of forest products to a value approximating that from 1960 and enable an increase in the export of primary and finished products of wood processing.

3. With a view to assuring a continuous exploitation of forest resources and raising forest production progressively in the future, it is absolutely necessary to undertake to reconstruct and improve the condition of forest reserves during the period from 1961 to 1965 already. In this, particular attention should be devoted to organizing a modern technical production basis and building forest communications, the application of up-to-date silvicultural and tending methods in the forests and an intensive reclamation of damaged forests and brushwood, as well as to the planting of new, quick-growing tree species, with the application of modern agrotechnical means.

Within the framework of the planned silvicultural work, afforestation should also be ensured for protection from erosion and floods.

4. The aims and tasks laid down in forestry call for an investment in this field amounting to about 75,000 million dinars during the period from 1961 to 1965, or an average 15,000 millions annually, which compares with the 8,500 millions annually during the period from 1957 to 1960. These funds shall be expended in accordance with local conditions and needs, with the proviso that in the regions of unopened and under-opened forests, especially coniferous ones, shall primarilly be used to build forest communication lines, with the object of achieving a balanced distribution of fellings and a rational utilization of wood. In the regions which are suited to raising high-yield trees on a short rotation these funds shall be invested in the first place for the planting of new areas and other forms of intensive wood production. The funds for the new plantings and other intensive forms of wood production should be made available with the proceeds derived from preliminary fellings on areas which are being converted into new plantings and intensive forests.

5. Within the framework of promotion of hunting during the period from 1961 to 1965 it is necessary to work toward improvement of the conditions for the breeding and protection of game.

6. The execution of the established aims and tasks in the forest economy will call in the coming period for quickened training of the engineering-technical personnel on the principle of specialization. Particular attention should be paid to creating permanent forest workers.

7. It is necessary to continue working toward the promotion of scientific-research work, especially toward adoption of modern technology in silviculture and the tending of forests and increasing increment and yield, as well as toward the application of mechanization in the rational utilization of the wood volume felled and in raising productivity of labour.

8. With the aim of making the fullest and most adequate use of the exploitation possibilities of all forests, and in order that the measures of forest reconstruction and advancement may be extended also to the forests of private owners, it is necessary to include these forests as widely as possible in the social sector of production through the cooperation of their owners with cooperatives and economic organizations, accompanied by a simultaneous intensification of the rights of the People's Committees to supervise these forests.

Chapter XIV

BUILDING CONSTRUCTION

1. The intensive investments in the economy, in the social services and especially in housing developments are putting large tasks before the building construction industry for the next five years. These tasks concern both the volume of building work,which is raised considerably, and the economy and efficiency of the whole construction process. The successful carrying out of the comprehensive programe of investment work puts therefore a far higher demand on the building industry than before where its efficiency, the reduction of time limits and the cutting of construction costs is concerned. In accordance with the magnitude of these tasks, it will be necessary to undertake directly a more fundamental reconstruction and modernization of the construction industry, raising its technical basis by introducing mechanization and modern production equipment in general at an intensified rate.

2. At the same time development of building construction should be directed toward fuller utilization of internal reserves, quickened improvement of the organization of production, broader specialization and cooperation, a more resolute application of the standardization and typification of building elements and materials, as well as towards speedier introduction of the system of prefabricated building.

3. In the field of designing, standard solutions should be sought in connection with all kinds of projects subject to mass construction, since this favours a higher productivity in building, quicker and cheaper building and the application of the most rational technical solutions as regards both the utilization of building elements and constructions and the building organization itself.

4. It is planned that the volume of building construction work during the period from 1961 to 1965, expressed in terms of the national product. shall grow at an average rate of 13.3 percent annually, meaning that in 1965 it will be 86.6 percent above the 1960 figure, as witness the following tabulation:

	1965/1960 Index	Annual average increase rate 1961—1965
Buldings	190,2	13,6
Of which:		
Economy projects	198,9	14,7
Non-economy projects	186,6	13,3
Roads, Canals, etc	165,5	10,6
Of which:		
Hydraulic projects	153,8	9,0
Communication lines	163,0	10,3
Mining and prospecting work	204,0	15,3
Other general engineering projects	166,7	10,8

5. In order to ensure the planned increase in the volume of building construction work, it is necessary:

a) To invest 174,000 million dinars in the building construction facilities for the whole five-year period, or an average 35,000 million dinars annually, as against the 15,300 million dinars in the preceding period. Thus investment in the building construction industry should mark the highest rate of increase, higher than that for any other type of economy and non-economy investments, the idea being to encourage and enable more rapid modernization of the building construction activity, and by this token an enhanced effectiveness of the whole sector of investments as well. Investments should be directed, in the first place, towards more rapid the mechanization of the building construction enterprises so that the degree of their mechanized equipment per production unit may be raised by 30 percent by 1965, relative to 1960 as base.

b) To raise productivity in construction on the basis of improved technical equipment, as well as by improving the skill structure of manpower, introducing new building methods and a better organization of production. Through the action of all these factors productivity of labour in construction should be going up at an average rate of about 9 percent annually.

6. The promotion of building construction should be based on an up-to-date production of building materials and building elements and constructions on a modernized production of bricks and cement and other prefabricated material, on an increasingly mass-scale production of hollow building units and new and light building materials, in which it is also necessary to ensure sufficient quantities particularly of high-grade cement and concrete reinforcement bars, as well as other production material for construction. For these purposes there should be ensured the adequate investments in industrial production. Also in other industrial branches, such as ferrous metallurgy, non-metals, the metal manufacturing industries, the wood, chemical and paper industries, it is necessary to develop the output and expand the assortments of products for construction purposes.

Chapter XV

TRANSPORT

1. The growth of industrial and agricultural production, of internal and international trade, as well as of personal consumption, will require that our transport system give our economy and our population expanded and improved services. For this reason, during the period from 1961 to 1965 our transport system shall concentrate its efforts on satisfying the economic and social demand for transport services to a fuller degree, on the gradual elimination of disparity between different sectors of transport, on rationalizing the movement of goods shipments, as well as on improving the quality of these services. The improved quality of transport services should be in the direction of quicker and more regular transportation, in a larger measure of comfort and safety of transport and communication.

Within the framework of these requirements it is planned that the physical volume of transport in 1965 should show a rise of about 62 percent over 1960, which will be an average rate of increase of about 10 percent annually.

2. For the realization of these requirements provision is made for the reconstruction and modernization of transport and the further development of the transport network. These measures will ensure an increase of transport facilities and a more effective satisfaction of demands for transport services, both in the economically developed and the economically undeveloped areas. The simultaneous develop-

ment of the transport network, the reconstruction and enlargement of the capacity of the basic assets, as well as other measures, will improve the conditions for the utilization of transport facilities.

The growth of the economy and earnings will promote the consolidation and expansion of the material basis of economic organizations and a fuller implementation of workers' management in transport services.

3. For the fulfilment of the outlined tasks in this sphere, provision is made for the following in the coming period:

a) Reconstruction of the main and the more intensively used railway lines for higher axle stresses and greater speeds; new construction, standardization and electrification of railway lines; resolving railway transport in industrial basins, as well as reconstrution and enlargement of railway junctions and stations;

b) Increase of the railway rolling stock for goods and passengers with vehicles larger carrying capacity, modern comfort and greater speeds; a broader substitution of electric and Diesel traction for steam traction, and the procurement of electric and Diesel locomotives, as well as motor vehicles; the application of modern signalling and remote-control equipment;

c) Construction, reconstruction and modernization of the highway network, and particularly of the trunk roads of the basic highway network; a major increase of heavy duty motor vehicles for road transport, as well as of other facilities (services, stations and other) indispensable to the operation of goods and passenger transport;

d) Expansion of quays, seaports and river ports through reconstructions and new construction; increasing the capacity of mechanized facilities for loading, unloading and transhipment of goods, as well as of the storage facilities in seaports, river ports, railway stations and other places for the handling of cargo; expansion of tonnage in sea and river transport, including the application of up-to-date traction conditions and transport organization;

e) Construction of airports and increase of aircraft;

f) A major expansion and modernization of the telegraph-telephone system by laying cable and erecting ultra-short-wave lines and applying up-to-date postal, telegraph and telephone equipment;

g) Mechanization of the operations, upkeep and maintenance of the basic assets in all branches of transport;

4) The present degree of development of the transport system, the changes in the economic structure of the country, the improvement of the economy of transport as a whole and its individual sectors and the quest to meet the demand for transport services in a modern

manner both in quantity and quality — requires a varying rate of growth of the volume of services in different sectors of the transport system.

In this respect, provision is made for the following rates of increase in the physical volume of transport services involving different sectors of the transport system:

	index 1965/1960	Annual average increase rates 1961—1965
Total transport	162	10,1
Freight traffic	163	10,3
Passenger traffic	151	8,6
Postal, telegraph and telephone services	175	11,8
Of which:		
Railway transport	145	7,8
Ocean shiping	153	8,9
Inland waterways transport	236	18,8
Air transport	289	23,7
Public road transport	253	20,4

Relative to the dynamism marked to date, provision is made for a somewhat quickened development of railway transport, which has lagged behing thus far, both in relation to the other sectors of transport and in the matter of satisfying the traffic needs. Railway transport continues as the chief carrier of passengers and freight in internal traffic, as a sector particularly suited for mass-scale transportation on longer routes. Provision is also made for rapid development of air transport and the postal, telegraph and telephone communications, whose possibilities in the past period have fallen short of the demand for services.

The further development of sea transport is coordinated with the over-all economic development, the international trade of our country with other countries and the real possibilities of our mercantile marine's participation on the world shipping market.

Road transport and inland waterways transport will record a relatively milder growth compared to the preceding period, yet even in transport will have grown by about 24 percent, which gives an of the over-all transport system.

5. It is estimated that by 1965 the number of personnel employed in transport will have grown by about 24 percent, which gives an

average rate of increase of 4.4 percent annually. The about 60,000 increase in the number of employed, and especially the indispensable change in the skill structure of the personnel due to the introduction of new technology and the general raising of the level of organization, will call for special efforts in connection with the training of adequate personnel. With this object, it is absolutely necessary to strengthen and enlarge the existing centers for the training which fact will also call for a larger expenditures by the economic organizations concerned with transport. Attention should particularly be paid to training transport specialists with advanced and high skills notably engineers and economists, as well as to the organization and development of scientific-research work, especially to parallel study of the economy of the transport sectors.

Modernization of transport equipment, a rational organization of all operations and a fuller utilization of the available equipment, as well as the further professional training of personnel, will enable productivity of labour to grow quicker in the period from 1961 to 1965 than during the preceding four-year period. It is estimated that in the coming period productivity will be growing at the rate of 7, 5 percent annually .

6. During the period from 1961 to 1965, within the framework of resolving the problem of coordination of prices in the economy, the further development of the system of workers' management in all branches of transport, the establishment of adequate economic relations between transport and its users, there shall be continued a systematic and gradual modification of all the rates and regulation of the transportation market.

This modification of regulation should seek to have each transport sector operating and developing in accordance with their economic, technical and operational character, and also in harmony with the economic and social requirements in the transport services.

7. In order to ensure the development of transport and the volume of transport services it is necessary to invest about 965,000 million dinars in basic assets during the period from 1961 to 1965. Provision is made for the following growth and approximately the following distribution of the gross capital investments by transport sectors (in thousands of millions of dinars):

	1960	1965	Index 1965/1960	Total 1961—1965	Structure, percentages
Total transport	145,0	233,0	161	965,0	100,0
Of which:					
Railway transport	57,8	118,1	204	437,0	45,3
Ocean shipping	19,5	26,2	134	117,5	12,1
Inland waterways transport	7,3	10,5	144	50,0	5,2
Air transport	2,6	2,0	77	15,0	1,6
Road transport	49,7	62,7	126	283,5	29,3
Postal, telegraph and telephone communications	8,1	13,5	167	62,0	6,5

The varying increase of investments in the basic assets of different transport branches assures a more harmonious development of the transport system and it also helps to offset the past lagging-behind of certain sectors, notably that of railway transport and the postal, telegraph and telephone services.

In the matter of structure, the investments are primarily directed toward the promotion of the facilities safeguarding the fulfilment of the foreseen volume of transport and communications during the period from 1961 to 1965, and next toward assuring a continuous development of transport in the post-1965 period, in accordance with the requirements of a longer-term development of the country, especially as regards railway and road construction.

8. Within the framework of railway development, provision is made for the completion of the following lines: Sarajevo—Ploče, Knin—Zadar, and Metohija—Prizren, totalling 338 kilometres. On the Beograd—Bar line construction shall be effected of the large structures and other work shall be launched in a more intensive manner, which should enable this line to be completed in the shortest time in the period after 1965. Provision is also made for starting construction work on the Gostivar—Ohrid railway line, in connection with the need to erect a new ironworks at Skoplje, for building a second track on the Lapovo—Niš line, and for standardizing the narrow gauge Nikšić—Titograd line. Likewise it is necessary to draw up in good time the designs and effect preparations for building the Bor—Majdanpek line.

Within the basic highway network whose construction is financed from the General Investment Fund, there shall be completed the trunk road "Bratstvo—Jedinstvo" from Beograd to Djevdjelija, the Adriatic tourist highway from Zadar to Ivangrad and from Kosovska Mitrovica to Skoplje and the motor road from Metković to the Beograd—Zagreb motor road. During the period from 1961 to 1965 about 1,130 kilometres of modernly-paved roads will be built on the above routes. For the requirements of the domestic merchant fleet new ocean-going ships will be built aggregating about 332,000 gross register tons. At the end of the period our merchant fleet will have a total of about 945,000 gross register tons of shipping.

In inland waterways transport, the facilities for carrying cargo in river traffic will be increased by about 37,000 horse-power and by about 260,000 tons of carrying capacity in the matter of loading space, as a result of which the total carrying capacity of the river shipping should reach about 655,000 tons by 1965.

In postal, telegraph and telephone communications, provision is made for construction and reconstruction work involving modern telegraph-telephone links on specific lines as well as for raising the number of telephone units by about 150,000.

9. The foreseen implementation of the Plan includes a broader initiative of the working collectives in the sphere of transport which should be based on the further development and improvement of the system of workers' management. The increased labour productivity, the modification of transport rates, as well as the measures for regulation of the transportation market, will contribute to the improvement of the economic position of transport enterprises and to the increase of their funds for investment. Simultaneously this will enable the reduction of the Federation's role in financing the growth of transport facilities.

Chapter XVI

TRADE, CATERING AND TOURISM

I. Trade

1. In proposed development of trade, the point of departure adopted was that in the coming period there should gradually be eliminated its lagging behind production and other economic activities, so that it may pursue its function by affording better and fuller satisfaction to the consumers. The increase in production and all forms of consumption will result in greatly increased turnover of goods in all branches of commercial activity, which calls for appropriate orga-

nization, equipment and extension of commercial activity. A 12 percent annual increase in the retail trade turnover, and a 11.5 percent growth in the wholesale trade is expected.

2. To be able to realize the above aims and attain the best results possible in the sphere of domestic trade, in the coming period the modernization of the existing and the erection of new trade facilities should be stepped up, to which end local organs in the first place should bend their efforts. In this respect special attention should be paid to retail trade, with a view to equipping it to serve the population in a more modern and a more efficient way.

3. For the quickened development and more up-to-date technical equipment of trade, an investment of about 200,000 million dinars is foreseen for the period from 1961 to 1965, which gives an average of about 40,000 million dinars annually. The investments should be directed, in accordance with specific local conditions, toward the erection of facilities for the storage and conservation of goods, primarily of agricultural and food products, toward the erection of retail-trade facilities fitted modern service forms in the towns and industrial centres and toward reconstruction of the existing retail-trade network, including the introduction of equipment and appliances enabling the modernization of trading operations.

4. For purposes of realizing the requisite volume of resources for the expansion and modernization of the facilities of internal trade, it is necessary to ensure the resources in the funds of the trading economic organizations and in the investment funds of the commune, district and the people's republic by effecting necessary changes in the system of allocation.

II. Catering and Tourism

1. It should be the essential aim of the further development of the catering industry to effect a considerable expansion and modernization of the catering and allied facilities intended as community restaurants, as well as of the accommodation facilities in the towns, industrial centres and tourist resorts, with a view to the better satisfaction of the requirements of the population in connection with food and accomodation outside the household.

2. Special attention should be devoted to promoting the domestic-tourist industry and improving the quality of tourist services. Besides creating the necessary conditions for its continued and quickened development, there should be promoted and expanded the erection of less expensive and more economical facilities for accomodation, meals and recreation. In the intensified erection of tourist facilities,

rest centres and summer holiday centres far greater participation of the communes, and also of economic enterprises is expected, especially where it is a question of organizing rest for their workers and office employees.

3. In view of the growing economic importance of the foreign-tourist industry, in the coming period there should be created a broader material basic for a rapid growth of the foreign-tourist traffic, as a significant source of foreign exchange. In this the endeavours of the communes in improving local conditions for the development of the foreign-tourist industry will be important, and should be achieved by reconstructing, modernizing and erecting the indispensable communal facilities in the more important tourist centers.

4. For ensuring the further development of catering and tourism about 90,000 million dinars should be invested during the period from 1961 to 1965, which gives an annual average of about 18,000 millions. These investments should serve to raise the accommodation capacity in catering and tourism by about 47,000 additional beds, which is equivalent to about 75 percent of the existing accommodation capacity in the catering industry.

Within the framework of the resources, it is reckoned that about 50,000 million dinars will be invested in the enlargement and modernization of the catering network, as well as in complementary tourist facilities in places and regions of importance for the development of the foreign-tourist industry, so that there will be possibilities for the foreign-exhange receipts from the foreign-tourist traffic to mark an annual average increase of about 20 percent during the next five years.

5. With the aim of drawing optimum benefits from the investments made, it should be sought to ensure the material conditions for fuller self-financing of the catering and tourist industries by means of appropriate changes in the system of allocations.

Chapter XVII

HANDICRAFTS AND SERVICE TRADES

1. With the development of the economy, the growing personal consumption and the improvement of the standard of living, it is indispensable to keep expanding the domain of the producing and personal services. The quickened promotion of this sector of the economy will demand increased housing-communal development, mechanization of agriculture, the promotion of motor transport, expansion of the market of durable consumer goods, and so on. To be able to satisfy these requirements it will be necessary to promote to a major degree the network of the repair and maintenance services (the ge-

neral overhaul stations) and the enterprises for the rendering of new services.

In connection with these demands the obsolete technical basis of the service trades should be changed and a more modern basis should be set up, tending gradually to convert the domain of handicrafts into an industry rendering producing and personal services. The development of handicrafts and the service trades largely depends upon the policy of the municipal People's Committees, which should make efforts and invest funds for the promotion of these activities in accordance with the requirements of the citizens and the economy. This development is all the more needed in that a lag in the services sector could handicap the quickened development of the economy and the growth of the living standards in a more perceptible measure.

2. In raising the standard of living of the population service trades should obtain an appropriate place. The present deficiency in these facilities should be eliminated by organizing an extensive network of service trade establishments and service shops for the requirements of the household.

During the period from 1961 to 1965 producing handicraft establishments should also be promoted as a complement to large manufacturers. Besides cooperation, producing crafts should also have the function of a producer of articles with a limited consumption and with wider assortments, especially of consumer goods. Similarly the due attention should be paid to household industries so as to achieve a maximum variety of articles for personal consumption. The constant growth of the volume of building work and the resources for the maintenance of housing should be accompanied by a corresponding development of specialized trade contractors on construction projects. Producing handicraft establishments should be promoted in undeveloped areas where quicker results would be obtainable on relatively low investment, with the handicraft enterprises becoming converted into small manufacturers in the course of future development.

3. Production of goods and services in handicrafts, in the broader sense, is foreseen to rise in the coming period at the rate of 12.3 percent annually on an average. In this the volume of service trades should rise by about 15 percent, of specialized trade contractors on construction projects by about 13.5 percent, and of producing crafts by about 11 percent. The growth of production and services is expected to proceed at a particularly high rate in the socialist sector of handicrafts, where the output should increase by 121 percent by 1965, or 17.2 percent annually on an average.

4. It is estimated that realization of the planned volume of production and services will call for an investment of about 70,000 million

dinars in social arts and crafts during the period from 1961 to 1965, so that tle average annual investment should equal twice the amount from the preceding period.

To this end, by handicraft organizations and the People's Committees should be enabled to raise such funds for investment as will ensure the proposed investments during the coming five-year period.

5. On the basis of improved technical equipment, productivity of labour in the handicraft trades should be going up by about 6 percent annually on an average, coincidently with an improvement of the skill structure of handicraft workers, which should be brought about by enlarging the present and establishing new schools for their vocational training, and particularly by applying new modern methods of on-the-job professional training.

PART FOUR

FULFILMENT OF THE DEVELOPMENT PLAN

Chapter XVIII

FOSTERING SOCIALIST SOCIAL RELATIONSHIPS

1. It is an indispensable condition for the successful fulfilment of the present development plan that socialist production relations be furthered, that workers' management in enterprises and social management of public services in the communes, institutions and social organizations be strengthened and expanded. In the whole system of measures and institutions it is necessary to enable the organs of self-government to make decisions on the resources and their use, on expanded production, on personal consumption and the social services as fully and as directly as possible, which will enhance the responsibility of, and give added encouragement to the working people and their organs to keep advancing production and improving the living conditions of the populations all the time.

2. In constantly perfecting the economic system on the established principles of self-government and a planned regulation of economic development, in the coming period it will be especially necessary:

a) To seek solutions for such a mechanism of income distribution between the community and the enterprises which will afford a forceful stimulus to the further development of the initiative of the working collectives for maximum efficiency in economic activity. To act, with appropriate instruments of distribution, toward mitigation of the existing disparities in the basic operating conditions of different activities of the economy, toward achieving a more rational utilization of the invested funds, as well as a larger economy in labour power. To peg the material position of the commune and its share from the total receipts in a larger measures than hitherto on the results of the working collectives and the achieved level of productivity on its area;

b) To endeavour to have the resources for enlarged production capacity held by the Federation directed as much as possible toward the erection of basic projects and toward assisting the development of under-developed areas of the country, and toward other projects in case the resources of enterprises, the communes and the peoples' republic do not suffice for the proportionate development of certain branches and domains of the economy. Parallel and accordingly, in the basic distribution it is necessary to strengthen the means of enterprises, the communes and the people's republics and their engagement in the economic construction and development of the social services;

c) To implement the planned directing of the resources as much as possible by economic measures and instruments. In this context, centralized administrative methods of regulation should continue to be discouraged. The responsibility of the organs of self-government for more rational spending of social resources should be intensified through a larger participation of the enterprises, communes and the people's republics in distribution;

d) To encourage the cooperation and the formation of associations of enterprises on a business basis with a view toward increasing productivity of labour, the technical perfecting of production, and particularly to ease the combining of their resources toward realization of mutual requirements in construction, and advancement of production and improved utilization of their working capital, the whole with a view to achieving as harmonious a development as possible of the productive forces and a simultaneous decentralization in distribution;

e) To adjust the credit and banking mechanism as much as possible to the economic system and its basic institutions so that it may afford the possibility for a more effective utilization of the credit policy toward the directing and combining of the resources without administrative compulsion and regulation. In this respect it will particularly bv necessary, far more than heretofore, to orientate the economic organizations so that they should form their working capital from their own funds. Consonantly with this orientation, it would be necessary to make a study and undertake adequate measures for activating the immobilized portions of the working capital;

f) To endeavour in the coming period to eliminate large price disparities as much as possible so as to mitigate and remove high and economically unwarranted unevennesses in the economy of individual branches and types of production. In the places where there exist regulated or ceiling prices it is necessary to undertake a revision of prices, with the aim of coordinating them with the general level of prices. In the case of the disparities which had sprung up freely on the market it should be sought, through a correct investment and production policy, to eliminate intensive disharmonies between supply and demand, thereby mitigating sharp price differences and eliminating the unwarranted earnings of individual working collectives which do not originate from their own labour and efforts;

g) To eliminate overcentralized regulation in the sphere of foreign trade and business transactions with foreign countries. With due regard for the requirements of foreign trade and also for the perspective development of imports and exports, and with due attention to the objectively-necessary differences existing in individual sectors of production between the internal and the world prices, it is necessary to abolish the system of coefficients and the system of different rates of exchange and to replace this system by introducing customs tariffs and other instruments which will eliminate the existence of multiple rates of exchange in connection with exports and imports. It is especially necessary to endeavour to eliminate the system of centralized distribution of foreign exchange.

3. The system of remuneration should be developed further toward as consistent as possible an application of the socialist principle of remuneration according the work performed. To the end it will be necessary to peg the personal earnings of the workers on the earnings of economic organizations. The consistent implementation of this principle should form an important factor in stimulating the productivity of labour.

4. In agriculture, where the individual method of production still prevails, an appropriate part of capital investment funds should be directed into the new productive forces in the large socialist holdings agricultural cooperatives, industrial and commercial entreprises. Socialist social relation should be extended and strengthened through combining and integrating the growing investments of socialist resources on the part of socialist organizations and institutions. To this end it is necessary to promote the most harmonious and most effective forms of associations of individual production with the socialist production through various forms of cooperation in production and exchange.

Also in other domains of the economy with private means of production it is necessary to promote the combining of social and individual production through various forms of cooperation and association, furthering the socialist method of production and socialist social relations on this basis.

5. In order to stimulate the initiative and increase the responsibility of the organs of social management of public services, it is necessary to establish the rights of economic organizations and the communes in the management of the material resources and funds so that they be as stable as possible, to enable the development of their independence and responsibility.

6. In order that the communes may carry out successfully the tasks placed before them by the present Development Plan, their material foundation and financial independence shall be strengthened. Particularly the system of financing the social services shall have to be elaborated in the comming period.

7. The organs of the local community, such as the communes, the cooperative organizations, and other self-governing organizations, should use their influence to bring into line the activity of economic organizations with the fulfilment of the tasks of the present Plan. To this end it is particularly necessary to make efforts to raise the productivity of labour, for greater saving and a rational use of the resources.

Chapter XIX

THE PERSPECTIVE AND CURRENT PLANS FOR THE IMPLEMENTATION OF THE PRESENT DEVELOPMENT PLAN

1. The Federation, the people's republics and other political-territorial units are obliged to coordinate the basic aims of the present Development Plan with their plans, laws, decisions and other prescripts, as well as in the management of funds and the issuance of measures for which they were empowered.

Economic organizations are obliged to pursue the aims and tasks of the present Plan and adhere to its directives with their whole economic activity.

2. For the implementation of the present Plan the Federation shall issue, besides laws and other prescripts, annual plans for each calendar year as well.

3. For the implementation of the present Development Plan, their own perspective plans and programmes and the annual plans of the Federation, the people's republics and the other political-ter-

ritorial units shall issue their annual plans whereby they shall allocate the resources belonging to them and safeguard the realization of the directives and tasks of the annual plans of the Federation.

4. Economic organizations shall promote their economic activity on the basis of their own independent economic plans.

Trade associations, the communities of economic organizations and cooperatives may coordinate the work for drawing up the plans of economic organizations within the sphere of their activity.

Chambres, economic associations and other self-governing organizations of the producers shall assist the individual economic organizations in the drawing up of their plans, indicating the aims and tasks of the present Plan, as well as the possibilities for its fulfilment.

5. The current plans of the people's republics and other political-territorial units must be consonant with the directives of the present Development Plan and the subsequent annual plans of the Federation.

6. The Federal Executive Council shall keep the Federal People's Assembly regularly informed about the fulfilment of the present Develompent Plan and the annual plans and about the measures being undertaken by them, and they shall also propose the enactment of laws and other measures for their fulfilment.

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